



# **EUI WORKING PAPERS**

## **IN POLITICAL AND SOCIAL SCIENCES**

**EUI Working Paper SPS No. 94/18**

**Social Policy in Post-War Belgium.  
The Development of Old Age Pensions  
and Housing Policies from 1945 to 1989  
as Two Case Studies of the Formation  
of a Christian Democratic Welfare State**

**JOHAN JEROEN DE DEKEN**

**European University Institute, Florence**

EUROPEAN UNIVERSITY INSTITUTE, FLORENCE

DEPARTMENT OF POLITICAL AND SOCIAL SCIENCES

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## Introduction

This paper sets out to investigate the development of social policy in Belgium during the period 1945 and 1989. Its main purpose is to offer a *descriptive* account of postwar institutional developments in the field of old-age pensions and housing policies. In addition the paper will discuss, as a first step towards working out a more *explanatory* account of these developments, some of the political concomitants of these changes. In order to understand the postwar policies, it will be necessary to go back to the period of, and prior to World War II. The inter-war years left an institutional heritage, which in turn was the outcome of attempts to moderate, if not mitigate, 19th century laissez-faire liberalism. The first part will describe these attempts and introduce some of the political controversies that accompanied those attempts, as a lot of the post-war debates are the continuation of the dispute between the Conservative Catholic Party and the emerging Socialist Party. Even if the postwar Christian Democratic Party had a far more progressive image than its Catholic predecessor, most of the debates on housing and pension policies of the late 1940's continued to be very reminiscent of the disagreements between the two main political blocs during the early 1920's.

The second part of the paper reviews the developments which occurred during the war years. It will be argued that only a few marginal changes had an impact on the social policies of the country, extending beyond the war years. The period of the occupation was to some extent important as the German occupant introduced on a small scale what would become one of the first grand postwar reforms: the system whereby a centrally collected single integrated social security contribution was redistributed over the various branches of social insurance. The war years were also important for the virtual standstill they prompted in residential construction, and for the expansion of collective life-insurances which received additional tax incentives. However, the most lasting impact of the period of the occupation of the country is to be found in the work of various groups who prepared in clandestinity the grand reforms which were implemented during the first years following the liberation of the country.



These reforms are discussed in the third part of the paper. It will be argued that these reforms clearly carried the imprint of the "new" Christian Democratic Party, even if some of the measures were formally implemented by a coalition of national unity -- and for a brief period even by an anti-clerical Government. It is in particular in the sphere of housing policies that one can identify an almost undisputed Christian Democratic hegemony. With respect to social security in general, and old-age pensions in particular, the power constellation of the first years following the end of the war prompted a stalemate which resulted in "provisional" measures that partly consolidated the prewar system, but at the same time superimposed a number of new arrangements. These new arrangements were intended to be stopgaps to solve immediate problems but in the end they would last more than a decade and also structure the more definite arrangements.

The fourth paper of the paper describes the long road towards the establishing of a more definite solution to the pension problem and discusses the consolidation of the Christian Democratic model of promoting home-ownership.

The final part of the paper examines how the neo-liberal germs built into the consolidated scheme started to mature during the 1970's and thereby began to erode the solidaristic nature of the postwar model. This part also looks at the first impact of the federalisation of the country on social policy. It is argued that during the last years of the period under study, this impact has remained limited to housing policies, but that even here it is probably to be too early to discern substantial policy changes, despite a divergence of technical rules that can already be observed between the different parts.

## 1

## **The Conservative Origins of Christian Democratic Social Policy: Old Age Pensions and Housing Policies up to the Second World War.**

The Belgian postwar welfare state was not built up from scratch. Rather, it merely refined an edifice which had been erected since the late 19th century. During that formative period, the Catholic Party had ruled the country on its own (from 1884 to 1914), or it had been the largest party leading various coalition governments. Throughout this period, the party moved from a staunch conservative party supporting laissez-faire liberalism to a centre-right party in which the nascent Christian labour movement became increasingly influential. However as will be demonstrated, after the dismissal of laissez-faire liberalism, the foundations of both old-age pensions and housing policies were established by Conservative politicians, and the institutions they created would have a lasting impact on the shape of the postwar Belgian welfare state.

The period prior to the Second World War can be divided into three epochs. During the first epoch, the epoch of laissez-faire liberalism which lasted till the turn of the century, the State refrained from intervening in solving the social question, and solutions were sought in paternalistic initiatives by industrialists (1). During the second epoch, which lasted from the turn of the century till the outbreak of the First World War, the State tried to encourage voluntary private initiatives by granting subsidies.

The third epoch, the era of compulsory social insurance, started after the First World War. During this period, policies clearly broke with the 19th century laissez-faire liberalism. But even though the Social Democrats participated twice in Government coalitions, the reforms both in the field of pensions and in that of housing were primarily inspired by conservative Catholics, and by the nascent Christian Democratic movement.

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1 A notable exception here was the establishing of the General Savings and Annuity Fund (ASLK - CGER), a semi-public institution, established by a homogenous Liberal Government, which was intended to promote individual saving plans for old-age.



### 1.1. The Origins of the Four Main Old Age Pensions Schemes of the Inter-War Period.

The prewar pensions system was primarily designed during the first half of the 1920's. After the Social Democrats had been removed from the Government of national unity, the Catholic Party imposed its model of class-segregated compulsory contributory insurance for wage-earners over the Social Democratic model of a universal general revenue financed pension (2). However, the origins of the inter-war system go back the period prior to the First World War. The system used some of the institutions established in the 19th century, and even compulsory insurance was already introduced for miners as early as 1911.

The separate scheme for civil servants was legislated as early as 1844 and remained largely unchanged throughout the 20th century. In contrast to the scheme for wage-earners, the civil servants scheme was based on the principle of a deferred wage, i.e. it was a general revenue financed scheme which did not require contributions.

#### 1.1.1. *The Prelude of Laisser Faire Liberalism: Voluntary Pension Insurance.*

The first old-age pension provisions on the territory of Belgium date back to the middle ages, when corporations established mutual benefit funds to assist their members in case of sickness, invalidity or old-age. After the French revolution the so-called Chapelier Act of 1791 forcefully dissolved these corporations (3). Despite the fact that the new Belgian state, founded in 1830, also banned corporations by adopting its own version of the Chapelier Act, the 19th century saw the gradual reappearance of mutual benefit societies. These new mutual benefit societies were partly inspired by early Socialist thinkers like Saint Simon and by Christian social doctrines, but the Government perceived these initiatives as having a pure charitable character, and thereby turned a blind eye upon them.

The new mutual benefit societies hardly recruited their members among the industrial proletariat. Rather, those societies were primarily

2 The term "Social Democratic" refers here to the ideal type as it is specified in Gösta Esping-Andersen's "The Three Worlds of Welfare Capitalism" (Princeton: Princeton University Press, 1990).

3 This act banned all associations of citizens based on occupations or estates. See M. MAGITS & M. QUERTON "De Opbouw van de Sociale Zekerheid in België. Een Historisch Overzicht" in *Socialistische Standpunten* Vol.31, No.5-6, 1984, pp.5-13 (p.5).



established by craftsmen, who were clearly still under the influence of the centuries-old tradition of corporations. Like the corporations, many of these early mutual benefit societies were characterised by nepotism and paternalism. It is nevertheless under such initiatives that the first occupationally segregated pension funds were established.

The first social welfare legislation on the territory of Belgium, dates back to a decree issued by Napoleon on May 26, 1812. This decree established in the province of Liège a mutual benefit fund to help miners and their families (4). This example was followed in the mining districts of Charleroi and Mons, and in the city of Namur. Soon most miners were affiliated to a mutual benefit fund. These funds were exclusively organised on the basis of the principle of individual capitalisation. The State and the provinces granted occasional subsidies to encourage these initiatives. In 1868, these mutual benefit funds were granted a legal personality (5).

In 1850, the General Pension Annuities Fund (*Algemene Lijfrente Kas*) was established under State guarantee (6). In 1868, this institution, which was the intellectual brain-child of the Conservative Liberal leader Walthère Frère-Orban, became the General Savings and Annuities Fund (*Algemene Spaar en Lijfrente Kas* or ASLK). The ASLK gave everyone the opportunity to voluntarily build up an annuity for a pension. The employers nor the State made systematic contributions to these individualised forms of provision. In 1851, a law regulating the mutual benefit societies was adopted (7).

On the whole, these early measures cannot be considered to be true social policy measures, but rather as steps aimed at establishing a framework for workers to save for their own future. But as of 1891 some employers started to contribute to the pension capital formation of their employees; and

4 This fund ceased to exist in 1814, but was reconstituted in 1834 and legislated by a decree of the new Belgian state in 1839. See Walter LEEN *Sécurité Sociale et Logement Populaire* Brussels: Éditions Erasme. 1954, pp.270-271. For a detailed study see Léon-Eli TROCLET *La Première Expérience de Sécurité Sociale Liège: Décret de Napoléon de 1813* Brussels: Éditions de la Librairie Encyclopédique, 1953.

5 See the Act of 28 March 1868 "Lois sur les caisses de prévoyance en faveur des ouvriers mineurs" in *Moniteur Belge* 2 April 1868.

6 See the Act of 8 May 1850 "Loi qui institue une caisse générale de retraite" in *Moniteur Belge* 17 May 1850.

7 Act of 3 April 1851 "Loi sur les sociétés de secours mutuelles" in *Moniteur Belge* 10 April 1851.



the state began to allocate, on a more systematic basis, bonuses via the ASLK to encourage individual savings.

In 1894, a law was adopted which recognised mutual benefit societies which facilitated their members in affiliating with the ASLK (8). By the turn of the century, there existed as much as 1,887 of these so-called "annuity and pension funds" (*lijfrente en pensioenkassen*), which started to associate on an ideological basis into national federations, such as the *Landsbond der Christelijke Verenigingen van Vooruitzicht in België* and the *Nationaal Verbond van Socialistische Mutualiteiten*.

### 1.1.2. *Enter the State: the Short Interlude of Subsidised Voluntary Insurance.*

The first authentic wage-earners' pension act was adopted in 1900 (9). This law still was modelled on voluntary insurance, but significantly increased the subsidies granted by the State. Under the new regulations the State accorded a subsidy amounting to some 60 per cent of the contributions made by the insured up to a maximum of 9 francs per year. However, this system of subsidized freedom was only short-lived. Already in 1912, the Catholic Government submitted a legislative proposal for the introduction of a compulsory pension insurance. The proposed scheme was to be financed by the insured, their employers and the state. In May 1914, this proposal was approved by the Chamber of Deputies, but because of the outbreak of the First World War, it was never approved by the Senate (10).

Nevertheless, in 1911 a compulsory old-age pension insurance scheme was legislated for miners (11). Under this scheme, miners were required to open account at the ASLK or adhere to a recognised private mutual benefit society (*voorzorgskas*). Apart from the existing state subsidies (60 per cent up

8 Emmanuel GERARD "De Christelijke Mutualiteiten" in Emmanuel GERARD, ed. *De Christelijke Arbeidersbeweging in België* Vol.2, Leuven: Universitaire Pers Leuven, 1991, pp.66-145 (p.81).

9 Act of 10 May 1900 "Wet nopens de ouderdomspensioenen" in *Belgisch Staatsblad* 14-15 May 1900..

10 See B.S. CHLEPNER *Cent Ans d'Histoire Sociale en Belgique* Brussels: Editions de l'Université de Brussels, 1972, pp.136-138. Even if the 1912 proposal announced a compulsory scheme, it still was largely based in the existing system of "subsidised freedom" which became increasingly incompatible with large scale industrialisation and concentration of the economy. That is why it was abandoned after the war, and a new more radical reform was prepared.

11 Act of 5 June 1911 "Wet op de ouderdomspensioenen ten bate van de mijnwerkers" in *Belgisch Staatsblad* 9 June 1911. Already in 1844, the state had established a compulsory scheme for seamen based on mutual benefit societies.



to 9 francs per year), the scheme also made mandatory a contribution from the part of the employers.

### 1.1.3. *The End of Liberalism: the Era of Compulsory Social Insurance.*

After the First World War, several provisional measures were adopted, such as the introduction, in 1920, of the so-called "free" pensions to workers older than 65 years. The benefit level of this means-tested pension varied annually between 600 and 720 francs -- depending upon the size of the municipality (12). This provisional scheme had been designed by the Social Democratic Minister of Industry and Labour Joseph Wauters, and was to be the first step towards a more definite general revenue financed pension scheme (13). However, soon after the adoption of Wauters' provisional act, the Social Democrats were ousted from the coalition, and, in 1922, the work on the introduction of a compulsory social insurance system along the lines proposed in 1914, was resumed. This work resulted in the 1924 Manual Workers Act and the 1925 Salaried Employees Act (14). Apart from the 1930 reform of the scheme for salaried employees (15), the amendments adopted

12 See Act of 20 August 1920 "Wet nopens de ouderdomspensioenen" in *Belgisch Staatsblad* 30-31 August 1920. In principal it granted pensions to all Belgian citizens born before 1858 who had reached the age of 65. However, the benefits granted by this provisional scheme were subject to a means-test (claimants could earn at most 120 francs per year, above this threshold, the benefit was reduced by slices of 1/6th. In order to pass the law, the Socialists had to make a concession to their Liberal and Catholic coalition partners, by agreeing to limit the duration of the scheme to 3 years. Whereas under the prewar system of subsidised voluntary insurance only 80,000 persons enjoyed a pension benefit, the new scheme granted a benefit to more than 221,000 pensioners (Joseph BONDAS "Pensions de Veillesse" in *Les Cahiers de la Commission Syndicale* No.9, December 1926).

13 The Socialists saw pension rights as elementary existential rights and envisioned a scheme the burdens of which would have to be carried by the collectivity.  
"Elle procède du droit de vie et elle doit être portée au compte de la solidarité nationale. Dans un système intégral d'assurances, elle seront non seulement gratuite, mais universelles, et couvert par des ressources à prélever sur les classes possédantes."  
(Jules Lekeu speaking, on behalf of the Socialist Party, in the Senate on November 26, 1924 in *Annales Parlementaires de Belgique. Sénat* Brussels: Imprimerie du Moniteur Belge, 1925, p.94.

14 Respectively Act of 10 December 1924 "Wet op de verzekering tegen de geldelijke gevolgen van ouderdom en vroege dood" in *Belgisch Staatsblad* 22-23 December 1924; and Act of 10 March 1925 "Wet op de verzekering tegen de geldelijke gevolgen van ouderdom en vroege dood der Bedienden" in *Belgisch Staatsblad* 1 April 1925. The miners' scheme established in 1911 remained in forced, but was amended in 1930. The new scheme compulsory scheme covered about 1,800,000 wage-earners.

15 Act of June 18, 1930. That year, the ASLK also was granted a monopoly in the administration of the pensions for manual workers, and a National Pension Fund for Miners, which had been established in 1920, obtained a monopoly in the administration of miners' pensions (Act of 14 July 1930). The latter was administered by equal representation of the State (the Ministry of



throughout the remainder of the inter-war period did not fundamentally alter the system (16).

The 1924 Act was the work of the Catholic Minister baron Romain Moyersoen. It had also been supported by the Liberal Party, but opposed by the Socialists who favoured so-called "free" means-tested pension not requiring contributions. The Christian labour movement supported Moyersoen's pension reform because it was compatible with their theory of a "just wage". The Christian Democrats argued that pensions should not be "free", because that would reduce them to a mere form of State assistance. Rather, pensions benefits should be part of a legitimate wage. The Social Democrats rejected this theory: they argued that the theory of a just wage could only be workable if workers alone would determine the wage level, which evidently was not the case (17). However, they did recognise the fact that an entire "free" (i.e. general revenue financed) pensions system would outstrip the financial capacities of the State. They therefore proposed a mixed system and tactically voted in favour of the Moyersoen pensions act, as they considered it to be an important improvement compared to the existing situation (18).

The new schemes were characterised by very complicated benefit formula combining individual capitalisation with digressive means-tested bonuses, financed by the State. These bonuses, the so-called *kostenloze rentetoeslag* were to guarantee a minimum pension to those insured who, at the time the scheme was legislated, were too old to be able to capitalise the required pension capital. The bonuses were higher for married couples than for singles. The main thrust of the schemes for manual workers and salaried was comparable, in particular in their reliance upon the actuarial technique of individual capitalisation, but there were also two important differences.

A first major difference concerned the contributions and benefits. Manual workers paid a flat-rate contribution fixed at 1 francs for women and

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Social Welfare), the employers and the insured, whereas the former was administered exclusively by representatives of the State nominated by the Ministry of Finance ("the King").

16 A number of amendments were legislated in 1937, when the compulsory scheme for self-employed persons, announced by the 1924 General Act and tentatively introduced in 1930, was again abolished because it had turned out to be inoperative.

17 See Bondas, pp.15-16.

18 For an overview of the position of the Socialists see Joseph WAUTERS "Note de la Minorité" added to report of the special commission investigating the pension reform in *Documents Parlementaires. Chambres des Représentants 1923-24*, session of 31 January 1924 No.12, pp.54-58.



minors, and at 3 francs for man. Employers paid a contribution for their manual workers relative to the taxable wage, varying between 1.5 (for women and minors) to 2.5 per cent (for men). On the other hand, salaried employees were required to pay a contribution calculated relative to their taxable income: 5 per cent (3 per cent if their annual salary did not exceed 6,000 francs per annum). Employers had to pay a contribution of 5 per cent for their salaried employees. Manual workers received flat-rate benefits (19), whereas the benefits for salaried employees depended upon their individually capitalised contributions and thereby indirectly reflected past earnings.

A second major difference concerned the administration of the two schemes. Whereas the manual workers' scheme was administered by the General Savings and Annuities Fund (ASLK), the scheme for salaried employees maintained some form of institutional pluralism (20). Apart from the ASLK, salaried employees, or probably more appropriate their employers (21), could opt for one of the 15 recognised subsidiary institutions. In 1930, another semi-governmental institution was established: the National Pension Fund for Salaried Employees (*Nationale Kas voor Bediendenpensioenen* or NKBP). The NKBP was administered by equal representation of the State, the employers and the insured, whereas the board of the ASLK consisted solely of members nominated by the Ministry of Finance. Soon the NKBP became the most important insurance carrier for the old-age pensions of salaried employees. By 1937, there were 144,000 salaried employees affiliated to the NKBP, whereas 74,768 had opted for the ASLK (22).

19 The law foresaw the possibility for manual workers to pay supplementary contributions that would be individually capitalised and that would benefit from the same sort of subsidies as contributions made in the statutory scheme. However, this provision was never made operational.

20 The law still allowed the existing mutual benefit funds to collect contributions which they would have to transfer to the ASLK, but the activities of these funds would decrease rapidly. See G. DE BROECK "Sociale wetgeving" in S.H. SCHOLL *150 jaar Katholieke Arbeidersbeweging 1789-1939* Deel 3: 1914-1939, Brussels, 1966, p.196; and G.M.J. VELDKAMP *Inleiding tot de Sociale Zekerheid en de Toepassing ervan in Nederland en België*. Deel 1. Karakter en Geschiedenis Deventer: Kluwer, 1978, p.206.

21 For example, the *Kredietbank* forced its employees to choose the insurance company of the farmers union (ABB, affiliated to the Catholic pillar) as their old-age pension carrier.

22 Emile VAN DIEVOET *Het Verzekeringswezen in België*. *Economische en Sociale Gegevens, Het Bestaande Recht, De Voorgestelde Hervormingen* Part 1, Antwerpen: De Sikkel, 1940, p.43; *Algemene Spaar en Lijfrente Kas van België Jaarverslag 1937*, data for the number of affiliations to the 15 licensed subsidiary institutions are far more difficult to obtain. In 1940, one of the more important of these institutions, the Mutual benefit Society *L'Intégrale* had 10,162 affiliates



The 1924 Act also revised the miners' scheme and established a National Pension Fund for Miners (*Nationaal Pensioenfonds voor Mijnwerkers*), and amendments legislated in 1930 granted a monopoly to this national fund (23).

#### 1.1.4. *The Origins of the Pension Schemes for Employees in the Public Sector.*

The first scheme for civil servants was established in 1844 (24). This law was inspired by the French pensions act of 1790 and by some laws that had been implemented during the 15 years of Dutch rule (1815-1830). The idea behind this scheme was that of a deferred wage:

"From the beginning, pensions were considered to be part of the statute of civil servants and to be an essential element in the contract the State concluded with its personnel" (25)

However, initially the scheme was financed by a contribution of 1 per cent (26). But as this contribution was seen as being in conflict with the fundamental aims of the law, it was again abolished in 1849. In the beginning the scheme was limited to civil servants with tenure employed by the various ministries, to provincial governors, and to priests. But later it was extended to cover also teachers, magistrates, employees in semi-governmental administrations like the postal and telephone service, the administration of waterways, to employees of municipalities that were affiliated with the so-called re-apportioning fund of the Ministry of the Interior, etc. In addition,

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(communication via letter). In 1970, the largest subsidiary insurance carrier, the private insurance company *Assurance Générales*, had about three times as many affiliates as *l'Intégrale* (which extrapolated back to 1940 would mean about 30,000). For 1953, Pieter Frantzen has estimated that 287,116 salaried employees had opted for the NKBP or the ASLK, whereas 162,897 were affiliated to one of the 15 subsidiary institutions (see Pieter FRANTZEN "Voor of tegen het ontwerp Troclet betreffende het bediendenpensioen" in *Socialistische Standpunten* Vol.4, No.2, 1957, pp.105-123 (p.112).

- 23 Even if apparently until the 1945 reform the miners could still choose between the ASLK and the National Pension Fund for Miners (see below).
- 24 Act of 21 July 1844 "Loi générale sur les pensions civiles et ecclésiastiques" in *Bulletin Officielle* No.24 1844.
- 25 Jean Pierre DELVILLE *Onderzoek van de Pensioenregeling van de Openbare Dienst Rondetafelconferentie: de Pensioentoeekomst Voorbereiden*, Brussels: Ministerie van Pensioenen, 1993.
- 26 J.P. MASSON "Introduction a l'Étude des Pensions du Secteur Public" in *Journal des Tribinau du Travail* No.408, May 20, 1988, pp.1-5. In addition, civil servants do have to pay a contribution for the widows' pensions scheme. In 1936 this contribution amounted to 6 per cent, in 1939 it was increased to 9 per cent.



the State came to bore most of the costs of a number of relative autonomous schemes, in particular the pensions scheme of the National Railway Company (NMBS), the National Local Railway Company (NMBB), the General Savings and Annuities Fund (ASLK) and the Municipal Credit Bank (*Gemeentekrediet*). The armed forces and the *gendarmeerie* administered their own schemes, which nevertheless closely resembled the civil servant's scheme.

In general the scheme introduced in 1844 calculated pension benefits on the basis of the earnings of the civil servant enjoyed during the last five years of his career. Benefits were computed as a fraction of this earnings basis. In general, this so-called *tantième* was set at 1/60 -- which meant in practice that a full pension, amounting to 75 per cent of earnings base, could be achieved after 45 years. The scheme also foresaw preferential *tantièmes*, which depended upon the function of the servants: 1/55 for teachers, 1/35 for magistrates, 1/30 for academic occupations at universities, 1/20 for catholic clergy, 1/12 for provincial governors, etc (27). The maximum benefit was limited to 75 per cent (90 per cent in the case of pensions for war-victims) and like in the case of wage-earners, the retirement age was set at 65.

Initially, culmination of a pension benefit with other earnings was prohibited (even if there were exceptions to this general rule, like in case the benefit was below a certain threshold), but in 1926 a more complicated arrangement on culmination was introduced (28). During the remainder of the period under study, the scheme for civil servants underwent a series of minor amendments, but the main features of the system were never altered (29).

27 L. FRANÇOIS & J. BASYN *Verslag over de Burgerlijke Pensioenen ten Bezware van den Staat* Koninklijk Commissariaat voor de Pensioenen, Brussels: Belgische Staatsblad, 1940, p.54; and Delville, 1993. The members of the armed forces formally do not enjoy preferential *tantièmes*, though the system of special bonuses in their scheme de-facto reduces the fraction to 1/50 (see Nationale School voor Fiscaliteit en Financiën *De Militaire Anciënitetspensioenen* Brussels: Ministerie voor Financiën, 1993, p.1.

28 For a discussion see Yolande DELEUZE *L'Évolution de la Notion de Droit à Pension de Retraite et Survie du Secteur Public des Origines à Nos Jours* Rapport de stage en vue d'obtenir une nomination au grade de Secrétaire d'administration aux Pensions, Brussels: Ministère des Finances, 1983, pp.15-17.

29 The most important change probably took place in 1956, when the scheme for the members of the armed forces was administratively merged with the other schemes. Since that year all pensions for civil servants and employees of various semi-Governmental institutions are administered by the Pensions Administration (*Dienst Pensioenen*) of the Ministry of Finance. Other important amendments included changes in the method of valorization (the so-called *perekwatie* provisionally legislated in 1951, amended in 1955, and substantially improved in 1969) and the introduction in 1971 of a guaranteed minimum benefit for civil servants who retired before the official retirement age. For more details see Deleuze, 1983, pp.27-42; and J.



Some of the main differences between the four main pension schemes operating during the inter-war period are summarized by the following table. The table does not attempt to summarize information on the benefit structure as the formula were too complicated to be summarized comprehensively in a table.

*Table 1. A Comparison of the Four Main Pension Schemes of inter-war Period*

<i>Scheme Basic Laws</i>	<i>Civil Servants (Act of 1844)</i>	<i>Salaried Employees (Act of 1925) (Act of 1930)</i>	<i>Miners (Act of 1911)</i>	<i>Manual Workers (Act of 1924)</i>
<i>retirement men:</i>	65 years	65 years	55-60 years	65 years
<i>age women:</i>	65 years	60 years	(30)	60 years
<i>contributions: per month</i>	only widows- pension 6%	insured: 3-5% employers: 5%	insured: 0.5 fr. empl: 1.5%-2.5% State: 0.6-1.0 fr.	insured: 1-3 fr. empl: 1-3 fr. State: 0.6-1.0 fr
<i>method of calcu- lating benefits</i>	earnings- related	earnings- related	flat-rate-	flat-rate-
<i>principle method of insurance:</i>	deferred wage	individual capitalisation	individual capitalisation	individual capitalisation
<i>administration: (ASLK)</i>	Government	Nat. Pens. Fund Sal. Employ. (NKBP),  General savings and Annuities Fund (ASLK) and 15 licensed funds subsidiary institutions	Nat. Pens. Fund Miners  ASLK and mutual benefit	General Savings and Annuit. Fund
<i>composition of main insurance carrier:</i>	n/a	1/3 repr. State 1/3 repr. employers 1/3 repr. insured	1/3 repr. State 1/3 repr. empl. 1/3 repr. ins.	all members of the board nominated by the Government

## 1.2. Housing Policies during the inter-war Years.

Housing policies followed a trajectory parallel to the development of old-age pensions. Towards the end of the 19th century appeared the first measures aimed at supporting private initiatives which had a strong

HAUBRECHTS "Het Pensioenstelsel ten laste van de Schatkist" in CEPESS-Documenten Vol.12, No.4, 1973, pp.66-90.

30 Depending upon whether the miner work under or above the ground (Women were not allowed to work in the mines).

paternalistic bias. Here too the First World War brought the State more to the foreground. A public housing institution was established under Social Democratic pressure. Even if initially this institution embarked on a progressive housing policy de-commodifying the real estate market by supporting the stabilising of tenants cooperatives, its policies were drastically reversed after the Socialist Party was removed from the coalition of national unity. In addition to redirecting public money from the new public institution to schemes promoting home-ownership, the Conservative governments of the 1920's effectively terminated the development of tenants cooperatives. The public housing institutions came to attributed a residual role of providing rental housing for the very poor, or to promote home-ownership for all those who came close to be able to afford it.

#### 1.2.1. *The First Housing Laws of the late 19th Century.*

In 1889, Parliament adopted the first major housing law (31). This law had been designed by the Catholic Minister of Finance August Beernaert. The law introduced various tax exemptions to encourage the construction of workers' housing, it incorporated the General Savings and Annuity Fund (ASLK) into this financing, and established so-called "district-level protection committees" (*arrondissementele beschermcomités*). These committees played a mediating role in the creation of housing associations. They had to investigate the specific housing needs of the various districts and promote the establishing of private housing associations. The law foresaw two types of housing associations (32): construction associations and credit associations. The construction associations were to operate like real-estate agencies: they had the exclusive mission of building, buying, selling or renting dwellings reserved for workers. These construction associations could take the form of private corporations or of cooperative societies (33). The credit associations, on the other hand, had the exclusive goal of offering loans for the construction or acquisition of workers' housing. The credit associations were eligible to take up loans with the ASLK at an interest rate of 2.5 per cent. In their turn,

31 Act of 9 August 1889 "Loi Relative aux Habitations Ouvrières et à l'Institution de Comités de Patronage" in *Moniteur Belge* 10 August 1885.

32 H.J. SPELTINCX *Historique de la législation belge relative au logement social* Brussels: Institut National du Logement, 1980, p.4.

33 The first of these associations already appeared as early as 1857. Those early initiatives were inspired by the British "building societies" and by French initiatives sponsored by Napoleon III in Mulhouse.



they granted mortgage loans to individual builders at interest rates varying between 4 and 5 per cent. The difference between the two interest rates was to cover the administration costs of the credit associations and had to allow them to establish necessary financial reserves. The loans granted by the credit associations could be used to finance a dwelling with a maximum value of 5,000 francs and the worker taking up the loan had to make a down-payment of at least 10 per cent of the amount lent. The law also foresaw tax-exemptions for loan-takers: a waiver of cadastral taxes and a reduction by half of the registration duties. Because of the substantial down-payments required, the law was only to the benefit of the better-off segments of the working class. In 1908, the maximum value of the dwelling was increased to 10,000 francs. This increase turned the law into a mere tool of subsidising small house-owners and its social policy dimension became even more debatable. The Socialist housing expert, Louis Bertrand, thus appropriately commented that

"Les ouvriers qui sont dans ces conditions sont ceux qui gagnent relativement un bon salaire et sont sûrs du lendemain. Ceux-là, au besoin, pourraient bien se loger ou à peu près. Mais la masse, celle précisément qui a le plus à souffrir de la situation actuelle des logements, celle-là ne retirera aucun avantage de la mesure préconisée. Que veut-on, en définitive? Améliorer la condition des ouvriers qui ont le moins à se plaindre! Mais c'est là chose évidemment injuste." (34)

The main goal of the housing associations consisted of encouraging home-ownership. The conservative intentions of this policy were openly recognised by De Bavay, the president of the *associations pour l'amélioration des logements ouvriers*, De Bavay. At the occasion of the 1895 general members' meeting he declared

"By turning a worker into an owner and thereby more conservative and friendly towards the existing order, we consider not to have lost our time." (35)

The promotion of home-ownership not only made the workers more tributary to the existing order, it also fostered a split within the working class between

34 Louis BERTRAND *Le Logement de l'Ouvrier et du Pauvre en Belgique. Avec une Préface sur l'Hygiène du Habitation par C. de Paep* Brussels: A Lefèvre, 1888, p.278.

35 *Associations pour l'Amélioration des Logements Ouvrières Rapport Annuel* Brussels, 1895 (quoted by Marcel SMETS *De Ontwikkeling van de Tuinwijkgedachte in België. Een Overzicht van de Belgische Volkswoningbouw. 1830-1930* Brussels: Pierre Mardaga, 1977, p.49. See also Fernand GOSSERIES *L'Habitations à Bon Marché* Louvain: Editions de la Société d'Etudes Morales, Sociales et Juridique, 1926, pp.130-131.



those who were more well-off and capable of building their own house with the help of subsidies, and the poorer strata who even despite the subsidies failed to dispose of the means to become a home-owner.

During the first eight years following the adoption of the Beernaert Act, more than 60,000 dwellings were constructed via the mediation of the Protection Committees.

### 1.2.2. *The Establishing of the National Society for Inexpensive Housing (NMGW).*

The ideas, on the basis of which the *Nationale Maatschappij voor Goedkope Woningen* was established, date back to proposals made in 1885 by the Socialist representative Hector Denis in the so-called Labour Commission (*Commission de Travail*). Denis ideas were substantially amended by an investigatory commission, which he chaired and which was established in 1912, the *Commission pour l'étude des réformes à préconiser en matière d'habitations à bon marché*. The commission's work resulted in a legislative proposal submitted to Parliament on May 2, 1914. Because of the outbreak of the war the proposal only became a law in 1921. The NMGW was a semi-public corporation. Half its capital was subscribed by the central Government and half by the provinces. The board of management was composed of representatives of the authorities at both these levels (36).

The Socialist and the Catholic Party strongly disagreed on the mission of the new institution. According to the former, the NMGW was to be the engine of a new housing policy inspired by the modernist movement and by the English garden city (37).

"Special estates would be erected in which the inhabitants would participate in a «rich social life». The locus of the new policy would not be the individual dwelling, but the necessary collective utilities and an integrated green pleasant living environment -- the garden city." (38)

36 "Housing Policy in Belgium" in *International Labour Review* No.60, July-December 1954, pp.86-100 (p.88).

37 See O.VELGHE "Coopératives de Locataires" in *L'Habitation à Bon Marché* Vol.9 No.2 1922, pp. 205-210; and Catherine MOUGENOT "Promoting the Single-Family House in Belgium: the Social Construction of Model Housing" in *International Journal of Urban and Regional Research* Vol.12, No.4, 1988, pp.531-549.

38 Luc GOOSENS "Het Sociaal Huisvestingsbeleid in België sinds 1830" in L. GOOSENS & G. KNOPS, eds. *Sociaal Woonbeleid* Brussels: Koning Boudewijn Stichting, 1983, pp.12-31 (pp.19-20).



The Catholic Party on the other hand followed the prescriptions of the social teachings of the Catholic church and saw individual home-ownership as the material basis of a balanced family life and for individual well being of the members of a family. The Catholics also favoured private initiatives in contrast to what they considered to be the etatism of the Socialists. This aspect of the Catholic vision closely corresponded to the vision of the liberals, and was also reinforced by the interest some of the accredited building associations who were the heirs of the early building corporations and the workers' housing construction initiatives of the employers.

Initially the NMGW extensively sponsored the construction of modernist garden cities, administered by tenants cooperative. On the basis on the 1921 Act, members of tenants cooperatives were *de facto* only required to make a down-payment of 10 per cent of the value of the dwelling, which made cooperative dwellings more accessible to lower income groups, and which partly explains the early success of the cooperative schemes. The most prominent of these early initiatives were the Logis-Floreal estates and the Kapelleveld estate in suburbs of Brussels (39). However, once, in December 1921, the Socialists were removed from the coalition, the Government started to openly challenge the tenants cooperatives. Officially, the Government argued that these cooperatives were granted too much financial advantages while only providing housing for their members. For example, the Catholic Minister of Labour and Industry, baron Romain Moyersoen, argued before the Senate that

"Les sociétés de locataires sont des sociétés constituées par des personnes qui ne construisent par pour autrui, qui construisent pour elles-mêmes sans devenir propriétaires de leur maison, c'est-à-dire sans s'imposer le sacrifice que doit s'imposer celui qui veut acquérir la propriété. Ces sociétés exigent le maximum de sacrifices de la part de l'Etat et le minimum de sacrifice de la part du bénéficiaire" (40)

39 Other important examples were the *Cité Moderne* in Sint Agatha Berchem, also a suburb of Brussels, the *Unitas* estate established by a union of salaried employees in Deurne, a suburb of Antwerpen, the cooperative "Eenheid" in Antwerp, and the cooperative "De Vrije Woonst" in Mechelen. For a discussion of the history of these cooperatives see "La Cité-jardin du Kapelleveld à Woluwe St-Lambert" in *L'Habitation à Bon Marché* Vol.4 No.6 1924, pp.123-146; "Unitas-Tuinwijk. Cooperative de Locataire à Anvers-Deurne" in *L'Habitation à Bon Marché* Vol.6 No.8 1926, pp.140-148; Victor BOURGEOIS "La Cité Moderne" in *L'Habitation à Bon Marché* Vol.3 No.10 1923, pp.245-254).

40 Senate 5-6 July as quoted by *L'Habitation à bon Marché* Vol.2, No.8, 1922, p.200.



But in fact, the Government opposed the autonomy and independence of the cooperatives. They were "too socialist" for a Government which was only interested in promoting home-ownership:

"... la politique financière du Gouvernement est défavorable aux coopératives de locataires, d'allure trop socialiste à son gré, et elle n'entend favoriser que la petite propriété individuelle." (41)

The Government probably wanted to prevent the formation of a "red circle" around Brussels, as the one which at the time was developing around Vienna. The tenant cooperatives were indeed characterised by an intense communal life, which was to prepare the tenants for the future Socialist order. A members magazine of the tenants cooperative *Le Logis* described this educating role as follows:

"Grâce à la création et au développement d'un tel ensemble d'institutions, les cités-jardin rempliront leur mission d'écoles de solidarité sociale et d'esprit civique ... elles enseigneront à leurs habitants, vivant d'une vie plus saine et moins mesquine que dans les villes, qu'en marge des légitimes intérêts individuels, il existe aussi certains devoirs et certains intérêts de nature sociale et collective qu'il est indispensable de cultiver et de sauvegarder." (42)

In addition, it indeed was the case that the first cooperative estates were originally established by associations close to the Social Democratic labour movement (43). The first such cooperative, *Les Foyers Collectifs*, was established by a Socialist association of war veterans (44). The most successful cooperative, *Le Logis*, was established by a group of employees of the General Savings and Annuity Fund, some of whom were also active in the same Socialist war veterans association (45).

41 See J. LESPES "Une Cité-Jardin «Le Logis» in *Les Trois Tilleuls* Vol. 1 No.12, 1924, pp.2-3 (p.3) (originally published in *Education-Récréation* the paper of the Social Democratic Centrale d'Education Ouvrière). The idea of the garden city indeed had a strong affinity with Socialism: it involved (urban) planning, active state involvement (not in the least in financial terms), it conceived housing in collective terms by paying particular attention to collective spaces. In a way the garden cities were symbolic for the new Socialist society.

42 M. FAUCONNIER "A nos lecteurs" in *Les Trois Tilleuls* Vol.1, No.1, 1924, p.1.

43 A. DELDIME "Les Cooperatives de locataires" in *Les Trois Tilleuls* Vol.2, No.4, 1925, p.1-2.

44 This cooperative erected the garden city *Moortbeek* in the Anderlecht, a suburb of Brussels.

45 See *Le Logis: Histoire de la Société* Brussels: Société Cooperative de Locataire Le Logis (published on the occasion of its 30th anniversary), 1951, p.3-4. Part of the success of *Le Logis* can be attributed to the fact that statutes explicitly opened it up to all moderate-income wage-earners, including both manual workers and salaried employees. Until then social housing had been only targeted to manual workers. In practice the cooperative consisted primarily of the latter



In order to abort the breeding of "Socialist" tenant cooperatives, baron Moyersoen implemented two crucial changes in the Government's policies: he stepped up the encouraging of individual home-ownership and of private initiative, and he placed the tenants cooperatives on equal footing with employer's initiatives aimed at housing their work force (46). The tenants cooperatives thus had some privileges withdrawn which came to be reserved solely for the semi-public local building associations. In 1922 Moyersoen abolished the exemption to repay one fourth of the borrowed sum, and the share holders of the cooperative were required to make down-payment of 20 per cent instead of 10 per cent; in 1923, he cancelled other subsidies; and in 1924, he forced the cooperatives to increase their rents to a minimum of 6 per cent of the value of the dwellings and cooperatives were forced to sell a certain number of the dwellings built in their estates (47). The new policy was effective indeed: by 1929, there were only 13 tenant cooperatives in contrast to some 242 local building associations (48).

In order to encourage home-ownership, Moyersoen also implemented a policy change whereby the NMGW was forced to sell its dwellings, and its funds to built new houses were cut (49). Instead, Moyersoen introduced a new scheme of subsidies for individual housing construction and for the promotion of home-ownership. Families with an income below a certain maximum became eligible for subsidies to allow them to purchase or construct their own house. Finally, in 1927, a law was adopted, proposed by a Catholic representative, whereby all privately built houses with a cadastral

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sort of wage-earners: bank-clerks, low-rank civil servants, teachers, postmen, police agents, firemen etc. By the end of the 1950's *Le Logis* had built more than 1,000 dwellings (see the annual report of the cooperative of 31 December 1961).

46 The so-called *sociétés à caractère industriel* (see A. DES TILLEULS "Les Coopératives de Locataires et le Parlement" in *Les Trois Tilleuls* Vol.1, No.9, 1924, p.1-2). Up to then the tenants cooperatives had enjoyed the same privileges as the semi-public local building corporations.

47 See "Les Projets du Gouvernement en Matière d'Habitation à Bon Marché" in *L'Habitation à bon Marché* Vol.2, No.8, 1922, p.198-203.

48 Fernand GOSSERIES *L'Oeuvre de la société nationale des habitations et logements à bon marché* Gent: Rapport du congrès de 23 juin 1929. The Government also obstructed the development of cooperative estates by refusing to free the necessary credits for the building of facilities in already existing neighbourhoods, and by forcing tenant cooperatives to sell their dwellings to non-members, if the members failed to show an immediate interest.

49 In 1926, the Government even refused to pay its annual subsidy to the NMGW in attempt to force the society to sell the dwellings it completed. The Government also forced the NMGW to change its policy by constructing new dwellings on the promise of purchase. During the first twenty years of its existence, the NMGW nevertheless did erect 60,000 dwellings; of these, 20,000 were sold and the remainder was reserved for rental housing.



value below a certain threshold became eligible for an exemption of land tax for a period of ten years.

1.2.3. *The Establishing of the Housing Fund of the League of Large Families (WBKGB) and of the National Society for Small Holdings (NMKL).*

The private sector was further promoted by an initiative of colonel Lemerrier of the League of Large Families (*Bond der Kroosterijke Gezinnen*) which extended the State subsidies to all institutions and enterprises which were building low-cost housing (50). In 1928, this association also established a cooperative housing society for its members. The main goal of this Housing Fund of the League of Large Families (*Woningfonds van de Bond der Kroosterijke Gezinnen* or WBKG) was to help large low-income families to acquire ownership of houses (51). This goal was to be achieved by granting low interest mortgage loans. The cooperative society was supervised and guaranteed by the Government. In 1949, the fund introduced an original scheme of so-called digressive interest rates whereby the interest rate for the mortgage loans was reduced according to the number of children the breadwinner taking up the loan had to feed.

In 1935 yet another national institution was created to alleviate the housing problem. Officially the National Society for Small Holdings (*Nationale Maatschappij voor Kleine Landeigendommen* or NMKL) was created as part of a series of measures to counteract the economic crisis of the 1930's. The unemployed were to be given financial aid to develop land in the country-side. However, the main goal of the NMKL in fact consisted of housing unemployed workers in the countryside -- far away from the "perverting" influence of the city.

The NMKL is controlled by three government departments: the Ministry of Agriculture, the Ministry of Public Health and Family, and the Ministry of Finance. It is administered by a council appointed by the Government. The central Government and the nine provinces are its sole shareholders. It operates through approved regional societies which are administered on the basis of a close cooperation between the authorities and charitable bodies, industrial undertakings, trade unions and private

50 Smets, 1977, p.145.

51 V.A. DE RIDDER & P. MINON *Economische en Sociologische Aspecten van de Activiteiten van het Woningfonds 1929-1979* Brussels: Mens en Ruimte, 1979.



individuals (52). The central Government and the provinces never hold more than two-fifths of the capital of a regional society, so that in practice each one is administered by the local organisations.

52 By 1953, there were some 53 of such societies (see "Housing Policies in Belgium", 1954, p.89).

## 2

## The Period of the Second World War.

The period of the second war only marginally affected the social policy institutions developed during the inter-war period. In contrast to what happened in some other countries, the war did not fundamentally upset the power structure of the prewar regime (53). By leaving the structure of Belgian capitalism more or less intact, the sort of occupational regime Belgium experienced, allowed for the cooptation of "moderate" elements of the labour movement, and thereby helped to moderate the reforms demanded by a population that had suffered the deprivations of the war.

After the capitulation of the Belgian army on May 28, 1940, the country was placed under the so-called *Militärverwaltung* which can be contrasted with the *Zivilverwaltung* applied in countries like the Netherlands.

"The main difference between these two occupational regimes was, at least in theory, that they served different purposes: the military administration only was to maintain order and safeguard the German military interests, whereas the civil administration in addition was also to intervene politically as to nazify the population, and prepare the annexation of the country to the *Reich*." (54)

In practice this difference was less clear, and often simply meant that certain measure came to be implemented in Belgium only with a delay of a year or so. Under both forms of occupation, the Germans tried to use the existing administrative apparatus, but at the same time super-imposed a relatively small parallel bureaucracy upon the existing state structure. In Belgium, the main purpose of this parallel bureaucracy was to steer the economy to serve the needs of the Nazi war machine.

53 Such a fundamental breakdown did occur in countries like Czechoslovakia, where the German occupation and the integration into the Reich led to a fundamental re-configuration of class power. For a discussion of the Czechoslovak case see Johan Jeroen DE DEKEN *Social Policy in Postwar Czechoslovakia. the Development of Old Age and Housing Policies during the Period 1945-1989* European University Institute, Working Paper, SPS / 1994, pp.

54 Annemieke KLIJN *Arbeiders- of Volkspartij. Een Vergelijkende Studie van het Belgisch en Nederlands Socialisme 1933-1946* Maastricht: Universitaire Pers Maastricht, 1990, p.92.



## 2.1. Social Policy during the Occupation.

The Nazi's did not fundamentally alter the structure of the Belgian economy. The limited changes they implemented tried to re-orient the supply in function of requirements of the German economy (55). The changes in social policy too seem to have been of a rather limited nature. The two notable exceptions to this general state of affairs concern social security. These exceptions have been very poorly documented and are generally ignored by the literature on the history of Belgian social insurance.

### 2.1.1. *The Experiment with Central Re-Appportioning and the Rapid Expansion of Group Insurances*

A first important exception was the rapid diffusion of occupational enterprise-based pension plans, the so-called *groepsverzekeringen* (56). They knew a rapid expansion during the war years: whereas in 1938 the total insured capital amounted to only 1,612 million francs, by 1945 it had grown to as much as 11,147 million francs. This spectacular growth has been attributed to

"une volonté patronale de se soustraire aux effets conjugués des ordonnances et arrêtes bloquant les salaires." (57)

In addition, the schemes had been stimulated by tax exemptions, such as the order of 28 January 1944 which made contributions paid by the insured and by their employers, to group insurance plans, tax-deductible.

55 For example, in September 1940, the so-called *Warenstellen* were established that were to regulate the distribution of industrial goods. By 1941 there were 13 of such central administrative institutions, including one for the distribution of coal, one for the distribution of steel and iron, one for textile products etc. Other institution established by the Germans included a central administration that was to subject prizes and wages to a strict control; a corporatist organisation for agriculture and the so-called *Winterhulp*, an organisation under the leadership of the former Catholic Minister of Social Welfare, Hendrik Heyman, that was to alleviate the social needs of the underprivileged.

56 Léon-Eli TROCLET *Initiation au Problème des Pensions de Veillesse* Brussels: Institut E. Vandervelde, 1953, pp.52-53.

57 Henri LEWALLE "Les Pensions Légales et Complémentaires" in *Courrier Hebdomadaires du CRISP* No.1131-1132, 7 November 1986, p.31.



A second important innovation was the introduction of the system of central re-apportioning (*centrale repartitie*) (58). This system was modelled after the model that had proven its merits in Germany

"A «Central Re-apportioning Fund for Social and Fiscal Burdens» was established to which all employers who worked for the occupying authority were required to deposit a certain percentage of the wages they paid to their employees. This «Central Fund» subsequently would re-partition part of the monies thus collected to the various administrations needed to comply with the social and fiscal legislation: State assistance for families; the generals savings an annuities fund for manual workers pensions, the national pension fund for salaried employees, the national fund for annual paid holidays, and ... the various private insurance companies for accident insurance."  
(59)

The total contribution to this central re-apportioning fund was set at 18 per cent. The fund was administered by a committee of directors composed of civil servants of the Ministry of Labour and Social Welfare and of the Ministry of Finance (60). The new system of central re-apportioning only applied to wage-earners employed by the German military authorities and by German employers that settled in Belgium after May 10, 1940.

### 2.1.2. *The Aborted Experiment of a More Planned Housing Policy.*

There was hardly any residential construction activity in Belgium during the war, but in 1940, in the midst of the power vacuum that had emerged after most political leaders had left the country, there was issued a legislative order on urbanisation and reconstruction (61). This order reflected

58 See "Besluit van 12 October 1940 tot bepaling der speciale modaliteiten voor het innen der sociale en fiscale lasten, betreffende de arbeiders door de Duitse militaire overheid en door zekere Duitse werkgevers tewerkgesteld" in *Belgisch Staatsblad* No.140 October 24, 1940. pp.1430-1432; and "Besluit van 15 October tot bepaling der statuten van de Centrale Kas tot repartitie der sociale en fiscale bijdragen" in *Belgisch Staatsblad* No.140 October 24, 1940. pp.1432-1434.

59 Hendrik HEYMAN "De Maatschappelijke Zekerheid in België. Twee jaren toepassing" in *De Gids op Maatschappelijk Gebied* Part 1 in Vol.38, No.9, 1947, pp.663-730 (p.698).

60 See "Besluit van 19 October -- centrale kas tot repartitie van de sociale en fiscale bijdragen. Benoeming van de leden van het directie comité en van den directeur" in *Belgisch Staatsblad* No.140 October 24, 1940. pp.1434-1435.

61 Legislative Order of 12 September 1940 "Besluit Betreffende de Urbanisatie van bepaalde Gemeenten met het oog op 's lands wederopbouw" in *Belgisch Staatsblad* 14 December 1940. See also Rafaël VERWILGHEN "Waar Staan wij met de Stedebouw in België" reprint of *Bouwen en Wonen* No.3, March 1960, p.1.



the ideas of Rafaël Verwilghen (62) who had been inspired by the modernist architect and advocate of the garden city, Louis Van der Swaelmen. Apart from establishing a framework for a more planned and coordinated housing policy, the decree also legislated a system of restoration loans with a maximum interest rate of 2 per cent (63). The effect of this policy was annihilated, first because the declaration of "total war" had led on August the 5th 1942, to the issuing of a legislative order which prohibited all construction work (64); later, after the liberation of the country, the policies failed to have any lasting effect because most of the civil servants who had been involved in its promotion and implementation were purged after the war, as they were suspected of having collaborated too much with the Nazi occupier (65). Upon its return from London, the Government also declared the legislative order of September 1940 null and void (66), and replaced the lustrated civil servants by "a number of ignorant creatures, who presented themselves as experts in an area which they had never has set foot on." (67)

62 Rafaël Verwilghen was an architect-engineer who, when the war broke out, became general director of the Department of Architecture and Urbanisation within the General Commission for the Country's Reconstruction (*Dienst Bouwkunst en Stedebouw of the Commissariaat-Generaal voor 's Lands Wederopbouw*). In this position he could benefit from the power vacuum, that had emerged after the capitulation of the King and the departure into exile of the Government, and translate the theoretical tradition of a more planned housing policy into legislative orders. Rafaël Verwilghen is not to be confused with Carlos Verwilghen, the Secretary-General, who at the time was responsible for the Ministry of Labour and Social Welfare, and the Ministry for Reconstruction, and who signed the legislative orders in question.

63 Erik BUYST *An Economic History of Residential Building in Belgium between 1890 and 1961* Leuven: Leuven University Press, 1992, p.224.

64 See "Verordening van 5 augustus 1942 houdende verbod bouwerken uit te voeren" in *Verordnungsblatt des Militärbefehlshabers in Belgien und Nordfrankreich für die besetzten Gebiete Belgiens und Nordfrankreichs* No.82, 12 August 1942, pp.985-986. This order was made more strict by "Aanvullende bepaling bij de verordening van 5 augustus 1942 houdende verbod bouwerken uit te voeren" in *Verordnungsblatt des Militärbefehlshabers in Belgien und Nordfrankreich für die besetzten Gebiete Belgiens und Nordfrankreichs* No.86, 2 October 1942, p.1042; and by the "Verordening van 12 juni 1943 houdende verbod bouwerken uit te voeren" in *Verordnungsblatt des Militärbefehlshabers in Belgien und Nordfrankreich für die besetzten Gebiete Belgiens und Nordfrankreichs* No.103, 16 June 1943, pp.1325-1326.

65 Francis STRAUWEN "Renaat Braem: van Beheerst Functionalisme tot Formele Retoriek. Architectuur als Tastbaar Gemaakte Dromen" in *Wonen - TA/BK* 1979, No.14, p.13-27.

66 Verwilghen, 1960, p.1.

67 Strauwen, 1979, p.13.



## 2.2. The Re-Configuration of Social and Political Forces and the Preparation of a New Social Order.

On the whole, the institutional changes in the social policies of the country were limited, and the period of the Second World War probably was far more important for the shifts in political power it induced, and for the plans for postwar reconstruction that were prepared after this re-configuration of social and political forces had taken place. Not that the war caused a complete reversal of the prewar power structure. Rather, it led to the cooptation of a labour movement which at any rate was bound to gain influence because of the expectations of the war-torn population. At the same time this re-configuration marginalised calls for more radical reforms.

### 2.2.1. *The London Exile Government and the Galopin Committee at Home.*

After the capitulation of the country, the Government broke with the King and left the country. After having spent some time in France and Spain, most members of the Government ended up in London where they established a Government in Exile under the leadership of the Catholic Prime Minister Hubert Pierlot. The London Government in Exile promptly obtained international recognition, as the allied powers were aware of the strategic importance of the mining resources in the Belgian colony of Congo.

On May 15, just before the capitulation of the country the Government had organised a meeting with the main representatives of Belgian finance capital: Alexandre Galopin (governor of the *Société Générale*), Max Leo Gérard (president of the Bank of Brussels), and Fernand Collin (president of the *Kredietbank*). De facto, the Government transferred its power to this banker's syndicate, the so-called Galopin Committee (68). The Minister of Foreign Affairs, Paul-Henri Spaak, is said to have declared to the members of the committee: "Gentlemen, I entrust you Belgium" (69).

The Committee soon implemented such measures as the extending of the working day to 10 hours, the drastic reduction of unemployment insurance benefit, a blocking of wage increases and in some cases even a 15 per cent reduction of wages, and the cancelling of various social laws. It has

68 Jaak BREPOELS *Wat zoudt gij zonder 't werkvolk zijn? Anderhalve eeuw arbeidersstrijd in België* Leuven: Kritak, 1988, p.147; Mark VAN DEN WIJNGAERT *Het Bestuur van de Secretarissen-Generaal in België tijdens de Duitse Bezetting 1940-1944* Ph.D. Thesis of the History Department, Leuven: Katholieke Universiteit Leuven, 1972, pp.24-29.

69 Gaston EYSKENS *De Memoires* Tiel: Lannoo, 1993, p.119.



been argued that even if the Belgian business leaders did not actively support the Nazi's new order, they did

"take advantage of the political climate created by the occupant to institute, by themselves and on their own terms, many reforms adumbrated before the war." (70)

The new order provided big business with an additional amount of power to influence the formation of public opinion, the acts of legislators, and state policies generally. This influence had impact extending well beyond the period of the occupation.

#### 2.2.2. *Occupation, Political Parties, Trade Unions and Collaboration.*

Immediately after the capitulation of the Belgian army, the country was swept both by a wave of loyalty *vis-à-vis* the King, who was heralded for his readiness to share the fate of his army, and by a general dislike towards Belgian politicians. In particular the London exiles, who were seen as the incarnation of a declining world became the subject of this scorn. In addition, Luykx has argued that

"the first contact of the Belgian population with the German occupant had turned out better than expected; there was an admiration for the discipline of the German army, a discipline which had been lost in the country, and there was a general feeling that the occupant of World War II was totally different from that of World War I. Because of all this, the population had, during the first days of the occupation, a positive inclination towards the so-called «new order» which the German occupant promoted." (71)

The legitimacy crisis which the Parliamentary regime already faced before the war was aggravated by the military defeat. Whereas those leaders of the Catholic or Liberal parties, who returned to the country after its capitulation, kept a low profile, some prominent Socialist openly accepted the so-called New Order. On June 28, only a week after the capitulation of the French army, Hendrik De Man, the president of the BWP, dissolved the Social Democratic party and published a manifesto in which he called for the acceptance of the German victory.

"La guerre a amené la débâcle du régime parlementaire et de la plutocratie capitaliste dans les soi-disant démocraties. Pour les

70 John GILLINGHAM *Belgian Business in the New Nazi Order* Gent: Jan Dhondt Stichting, 1977, p.191.

71 Theo LUYKX *Politieke Geschiedenis van België* Amsterdam: Elsevier, 1973, p.389.



classes laborieuses et pour le socialisme, cet effondrement d'un monde décrépit, loin d'être un désastre, est une délivrance." (72)

De Man was convinced that the Germans were going to win the war and that Belgium would regain its sovereignty. During the first months of the occupation, an overall majority of the population shared this opinion (73). De Man hoped that the framework of the New Order would allow him to realise the renewal he had tried to implement during the 1930's (74). In July 1940 he launched a programme for "un front unique de travail sur la base coopérative". This programme was approved not only by the "new BVV" (i.e. that part of the Socialist trade union federation that had followed De Man in his acceptance of the New Order), but also by such eminent Socialists as Achiel Van Acker, who would later become one of the main leaders of the underground trade union movement and the president of the underground Socialist Party.

De Man also played an important role in the negotiations leading to the foundation on November 22, 1940 of the German sponsored unified trade union federation, the *Unie van Hand- en Geestesarbeiders* (UHGA), but had himself refused to take up a function within this organisation. He saw the UHGA as a countervailing power to the another organisation sponsored by

72 This manifesto was quoted in the newspapers *Le Soir*, *De Vooruit* and *Le Journal de Charlerloi*. This quoted is taken from Luykx, 1973, p.387.

73 Brepoels, 1988, p.141.

74 See Klijn ,1990, p.97. De Man was without doubt the most prominent of the pre-war leaders openly expressing his support to the New Order. However, it were not only Socialists who flirted with anti-parliamentary corporatist ideas. For example, in August 1940 a manifesto was published that reflected the agreements reached during negotiations between representatives of the Catholic employers' association, most notably René Goris, and the Christian trade union federation, in particular Paul Willem Segers. The manifesto can be seen as a Catholic alternative to De Man's plans. It called for the abolishing of the old party system, a radical reform of the parliamentary system and the establishing of a corporatist order inspired by the doctrine of Solidarism. The manifesto was welcomed by the Flemish Christian trade union leader August Cool but decisively rejected by his Walloon counterpart André Pauwels (for a discussion see Jozef MAMPUYS "De Christelijke Vakbeweging" in Emmanuel GERARD, ed. *De Christelijke Arbeidersbeweging in België Vol.2* Leuven: Universitaire Pers Leuven, 1991, pp.146-271, in particular pp.211-213; Dirk LUYTEN "Het katholieke patronaat en het korporatisme in de jaren dertig tijdens de bezetting" in *Bijdragen van het Navorsings- en Studiecentrum voor de Geschiedenis van de Tweede Wereldoorlog* No.13, October 1990, pp.91-148, in particular pp.111-117; and Brepoels, 1988, p.142). The Catholic employers also developed plans for far more authoritarian forms of corporatism in which labour would play a much more subordinate role. In particular a group around Henri Velge a legal adviser of the Walloon Christian employer association APIC. Velge's proposals were to suffocate the labour movement and replace universal suffrage by some form of political corporatism (for a detailed discussion see Luyten, 1990, pp.117-125).



the Germans, the *Wirtschaftsabteilung*, which clearly supported the interests of the employers (75).

The UGHA was an umbrella organisation controlled by a committee of eight trade union leaders representing (part of) the Socialist, the Christian, the Liberal and the Fascist trade unions. Initially the UGHA was supported by a sizable part of the labour movement. Some trade unionist, like the Socialist Victor Grauls who would become the first president of the UGHA, supported the federation because they genuinely believed in a unified labour movement. Others merely joined out of opportunistic reasons as part of a policy of being present in the new structures. The Christian syndicalist, August Cool, for instance, never supported the idea of a unitary trade union movement and always had insisted in maintaining the Christian identity of his federation. As a result of the establishing of the UGHA, the existing trade unions were split between those who were prepared to collaborate (the Socialist "new BVV", and most the Flemish wing of the Christian federations) and those who preferred to establish an underground organisation (the leaders of the "old BVV" and most of the Walloon wing of the Christian federation). However, when from 1941 onwards the Nazi's tried to increase their grip on the UGHA by systematically replacing the secretaries of the various federations by pro-German elements or by outspoken collaborators, the Christian union decided to leave the organisation and was officially dissolved (76). In 1941, the Socialist Achiel Van Acker too broke all his contacts with the UGHA, and when even the "new BVV" faced massive dismissals of its national and regional cadres the nazification of the federation had become inevitable. The process that was concluded by the replacing of the Socialist president of the UGHA Victor Grauls by the Fascist Edgard Delvo (77). As membership to the UGHA was not compulsory, the union never succeeded to attract more than 250,000 members. Towards the end of the war, despite its clientilistic policies

75 Mieke CLAEYS-VAN HAEGEDOORN *Hendrik De Man. Een Biografie* Antwerpen: De Nederlandse Boekhandel, 1972, p.335.

76 In particular the replacing of Cool and Roscam and the announcing of a merger of various federations lead the Christian trade unions to rupture with the UGHA. For a discussion see Jean NEUVILLE *La C.S.C en l'an 40* Brussels: Vie Ouvrière, 1988, pp.86-96.

77 During the fall of 1941, De Man completely disillusioned with degeneration of the UGHA into a Quisling organisation, also withdrew all his support and went into exile in the *Haute Savoy* close to the Swiss border. After the war he was convicted to twenty years imprisonment and applied for political asylum in Switzerland where he died in a car crash in 1953.



copied upon the DAF's *Kraft durch Freude*, it was left with a mere 150,000 members (78).

In the meantime various underground groups were formed that started to prepare postwar order (79). When the Christian trade union federation was dissolved in August 1941, most of its leaders and officials were helped out by prominent Catholic employers like the captain of the metal industry, Léon Bekaert, and by Fernand Colin of the *Kredietbank*. An illustrative example was that of the ACV leader August Cool, who became a mattress salesman for Bekaert. Commenting in this period Cool has said that

"It was Bekaert who gave all our people a job. I became a travelling salesman in mattresses and indeed I sold a lot of mattresses, even if this was only secondary, or let us say a pretext. It was intended to give me the opportunity to travel throughout the country." (80)

By helping out Christian trade unionists the Catholic employers hoped to limit the rising influence of the Communists upon the working class.

"Together with their bosses (*broodheren*), the leaders of the ACV would start to prepare the postwar period." (81)

The employers also sponsored moderate Socialist trade unionist. For example, the governor of the *Société Générale*, Alexandre Galopin, took care of the Socialists Joseph Bondas (until he left for London), and of Achiel Van Acker.

78 Before the war, in 1939, the Socialist federation BVV had 524,224 members, the Christian federation ACV had 339,796 and the Liberal federation ACLVB 89,717. Lehouck even argues that the UGHA never attracted more than 110,000 members of which a mere 17,000 were Walloons (see F. LEHOUCK "Oorlog en sociale zekerheid" in *Arbeidsblad* Vol.81, No.9-10, September-October, 1980, pp.643-693).

79 A comprehensive overview of these groups goes well beyond the scope of this paper. Only the activities of those groups that on some way or another significantly contributed to the postwar social security reforms will be discussed here. A comprehensive overview of these groups goes well beyond the scope of this paper. Only the activities of those groups that on some way or another significantly contributed to the postwar social policy reforms will be discussed here.

80 Interview of the Belgian Radio and Television (BRT) with Agust Cool, reprinted in Joost FLORQUIN *Ten Huize van... Zevende Reeks* Leuven: Davidsfonds, 1971, pp.181-215 (p.197).

81 Wouter DAMBRE *Fundamenten van de Verzorgingsstaat. Planning en Uitvoering van de Sociale Politiek in België (1942-1950)* unpublished MA-thesis University of Gent, 1986, p.195.



On the Christian side, this form of cooperation led to the signing of a number of agreements on the principle for postwar reconstruction (82). These agreements were based on reports prepared by investigatory commissions set up by the Federation of Catholic Employers (83) and by the underground Christian unions. The conclusions of these commissions had been discussed and fine-tuned in discussions between Cool and Bekaert. These agreements can be considered to be the harbingers of the modernization of the Catholic Party into a Christian Democratic Party, even if the *Christelijke Volkspartij* or CVP officially was only established after the war in August 1945 (84).

Most of the anti-German Socialist trade union leaders had gone into exile in London where they had established the *Centre Syndical Belge* with Jef Rens as President and Joseph Bondas as Secretary General (85). This centre prepared several studies (86), but as will be argued, after the liberation of the country, these "Londeners" would be side-tracked. It would be primarily the political, economic and syndicalists interest groups that during the war were active in the country's underground movement, that would determine the postwar reforms.

The Social Democratic underground was first founded by a few radical young Socialists who had remained in the country, or had returned immediately after the capitulation of the French army. Later they were joined

82 For example, in October 1943 a common programme was adopted which reflected the prewar Catholic ideas on industrial relations (see also Luyten, 1990).

83 This *Federatie van Katholieke Werkgevers* was a merger of the *Algemeen Christelijk Verbond van Werkgevers* and the *Associations des Patrons et Ingénieurs Catholiques*.

84 A first step was taken already before the war when in 1937, the *Katholieke Partij* had been renamed into *Blok der Katholieken*. The origins of the *Christelijke Volkspartij* can be traced back to various Catholic groups that were active during the occupation in preparing a postwar order. They included outspoken conservative groups such as the one around baron Romain Moyersoën, as well as more progressively inclined groups close to the Christian labour movement. For a detailed account of the founding of the CVP from within, see Mark VAN DEN WIJNGAERT *Ontstaan en Stichting van de C.V.P./P.S.C* Brussels: Instituut voor Politieke Vorming, 1976.

85 Before the war, Rens had been the National Secretary of the Social Democratic *Syndicale Commissie*. After having been active in the opposition to the UGHA, Bondas had joined his comrades in London during the Fall of 1942.

86 Of particular importance here was a study of Jef Rens, Joseph Bondas, and Paul Finet, "Réflexions sur la restauration du syndicalisme belge" which amongst other things called for a generalised system of social insurance, for the establishing of a single central social insurance fund which to a significant extent would have to be financed by State subsidies, and for an increased progressivity of the taxation system in order to make the whole system more redistributive. This report is reprinted in Dore SMETS and Jef RENS *Historique du Centre Syndical Belge à Londres, 1941-1944* Brussels: FGTB, 1976, Annexe I, pp. 1-110.



by more eminent figures, primarily belonging to the right wing of the party, such as Achiel Van Acker, Léon Delsinne, Louis Major, and Herman Vos. Soon these "moderates" came to dominate the Socialist underground. In September 1941, the underground Social Democratic party even succeeded in organizing an illegal congress in the Walloon provinces. At this congress, a programme was discussed, prepared by Henri Fuss (former general director at the Ministry of Labour and Social Welfare), Léon Delsinne and a number of progressive Catholics. It is at the occasion of this meeting that the Social Democrats symbolically changed their name from Belgian Labour Party (*Belgische Werklieden Partij* or BWP) into Belgian Socialist Party (*Belgische Socialistische Partij* or BSP).

Fuss and Delsinne were also the main architects of the *Avant Projet de Pacte d'Union Traivalliste* agreed upon by a group of Socialists and of progressive Christian Democrats (87). This pact proposed to establish a unified labour party, but after long consideration it was rejected by the "new" BSP. The pact included a rather detailed programme of 48 proposals. Several of these proposals concerned the establishing of a comprehensive system of social security. Here one can find for the first time the idea of a National Social Security Office (*Rijksdienst voor Sociale Zekerheid*) administered by equal representation.

The underground Social Democratic party also created a series of study commissions to prepare a new programme. The commission responsible for social security included Achiel Van Acker and Arthur Jauniaux. Before the war, Van Acker had been studying social security reform in the context of the Study Centre for the Reform of the State, whereas as Jauniaux was the main leader of the federation of Socialist Mutual Benefit Societies and a well-known advocate of a unitary mutual benefit society administered by equal representation.

### 2.2.3. The CEPAG Social Security Plan.

In the beginning of 1941, the London-based Government in Exile established the *Commission pour l'Étude des Problèmes d'Après-guerre* (CEPAG). The CEPAG was to function as a think-tank and to prepare plans for the postwar reconstruction of the country which the Government was to

87 They included the Socialists Joseph Bondas (at the time still in Belgium) and Louis Major, and the Christian syndicalists Henri Pauwels and Arthur Bertinchamps (see Mampuy, 1991, p.219).



implement immediately after its return to a liberated Belgium (88). The former Catholic Prime Minister, Paul Van Zeeland was recalled from New York to become the President of the CEPAG, but as Van Zeeland was often absent, the everyday leadership was in the hands of Jef Rens, one of the main exile leaders of the Socialist trade unions. In addition, there was a central committee which included Socialists like Louis de Brouckère, and representatives of business and industry like Raoul Richard and Gustave Jossart (89). Most of the preparatory work for the CEPAG reports was done by about 100 volunteers of the London exile community. The CEPAG never had plenary meetings, but worked in different sections which analysed various problems and reported their conclusions to the Central Committee.

Among the political parties, the Social Democrats were the largest group among the London exiles. The group included prominent figures such as Louis De Brouckère, Camille Huysmans and Arthur Wauters. The Socialists became particularly well represented in the CEPAG, and in its social section in particular (90). De Brouckère was one of the members of its Central Committee and participated in the work of the social section. Wauters, who before the war had been director of the Socialist daily *Le Peuple* and Minister of Labour and Social Welfare, chaired its social section.

The CEPAG plan was based on a study prepared by the Socialists lawyer Roger Roch (91). The social section had six meetings in January and

88 Brigitte HENAU "Shaping a new Belgium: the CEPAG -- the Belgian Commission for the Study of Post-war Problems, 1941-44 in M.L. SMITH and Peter M.R. STIRK, eds. *Making the New Europe. European Unity and the Second World War* London: Pinter, 1990, pp.112-131.

89 For a comprehensive listing of the members of the CEPAG and their political background see Diane DE BELLEFROID *La Commission pour l'Étude des Problèmes d'Après-guerre (CEPAG, 1941-1944)* unpublished MA-thesis, University of Louvain-la-Neuve: 1987, p.115f.

90 Apart from Wauters and DeBrouckère, the social section included Socialists like Jef Rens, Roger Roch, Isabelle Blum, Joseph Bondas and George Housiaux. Lehouck though seems to exaggerate the case when he claims that "except for Paul van Zeeland ... all members were a mouthpiece of the BVV" (Lehouck, 1980, p.687. In the discussions of the social section, there were also Liberals such as Julius Hoste and Roger Motz, and other non-Socialists like baron R. Boël, and the leader of the Belgian economic mission in London and E. Bigwood of the Belgian Red Cross.

91 Roger ROCH *Les Assurances Sociales* London: Commission Belge pour l'Étude des Problèmes d'Après Guerre Doc. S 5/21, January, 1943 (*Algemeen Rijksarchief* Rens-CEPAG 11). The Social Section primarily worked on proposals to reform the social security system. However, the commission also formulated some recommendations for postwar housing policy. In particular it suggested the granting of mortgage loans at extremely low interest rates to allow for the construction of inexpensive housing and for the purchase of furniture. After the war these proposals led to the expansion of the system of housing construction subsidies and to the creation of the "Fund for Domestic Re-Equipment" (*Fonds voor Huishoudelijke Wederuitrusting*)



February 1943 where it discussed Roch's proposals. According to Roch, the members of the social section unanimously agreed on the principle of social security for all. He claims that there were only minor disagreements on technical details.

"During these negotiations all the members, in a general burst of patriotic feelings, unanimously expressed their ambition to provide the country and its inhabitants with a general compulsory social security system, that would cover all risks from the cradle to the grave. Despite this general sense of agreement, there emerged here and there differences of opinion between the members of the section, committed as they were with the desire to realise the economic and social security in the shortest possible time-span. But these differences of opinion primarily concerned technical questions..." (92)

The CEPAG plan proposed a radical reform of the prewar social insurance system. It was argued that system was to become the true expression of a national solidarity:

"The system of generalised and compulsory insurance has the consequence that the burdens common to societal life are re-apportioned between the individuals that form the nation. Without question, this can indeed be considered to be the expression of a effective expression of the spirit of solidarity which should inspire all those who belong to the same community" (93)

It proposed to include both the right to work and the right to social security into the constitution. The architects of the plan were clearly influenced by Beveridge (94). In terms of financing, they foresaw a contribution to be paid

(see Roger ROCH "Een sociale-zekerheidsplan" in *Arbeidsblad* Vol.59, No.10, October 1958, pp.1207-1250 (p.1248)).

92 Roch, 1958, p.1209. Roch, though, seems to exaggerate the degree of consensus. Judging on the transcripts of the meetings of the Social Section, there do seem to have emerged important disagreements between the Socialists and baron R. Boël, officially the leader of the Belgian Economic Mission in London, but de-facto representing the viewpoint of conservative employers. Boël was particularly reluctant to accept the idea of the administrative unification into a central semi-public social insurance office. On several occasions expressed his strong preference for maintaining a plurality of private institutions (see for example his intervention during the meeting of the Social Section of 12 February 1943 London: Commission Belge pour l'Étude des Problèmes d'Après Guerre Doc.PV55/20 (*Algemeen Rijksarchief Rens-CEPAG* 11).

93 Roch, 1958, p.1214.

94 Though the work of the Social Section started before the Beveridge Report was issued, the CEPAG did carefully study the report. See for example A. DELIERNEUX *Rapport Beveridge* London: Commission Belge pour l'Étude des Problèmes d'Après Guerre Doc. S 5/18, 21 December 1942, a study which compares Beveridge's proposals with the system that existed in Belgium before the war; and Jean LEROY *Analyse du Rapport Beveridge* London: Commission Belge pour l'Étude des Problèmes d'Après Guerre Doc. S 5/22, January 1943 (both available in



by everyone who was engaged in gainful activities, but wanted to rely primarily upon general revenue financing. The contributions would be flat-rate, even if there would be some variations depending upon the category to which an insured belonged. The increased reliance upon general revenue financing necessitated a general reform of the tax system. The tax rates were to become far more progressive and tax evasion was to be made much more difficult. Here too the system existing in United Kingdom was considered to be a possible source of inspiration:

"The method of financing chosen by the social section requires an important financial involvement from the part of the State; it requires a appropriate reform of the tax system, in particular an increased progressivity and control. In this respect, the legislator could look for inspiration in the tax system as it exists in the United Kingdom" (95)

The plan proposed the introduction of a uniform old-age pensions scheme advocated a benefit "sufficient to have a dignified old-age" that was to be granted without a means-test (96). Both benefits and contribution were to be uniform in order to facilitate the administration of the scheme. However, there should be the possibility to have voluntary contributions for a supplementary pension.

For wage-earners, it would be the employer who would be withholding the contribution and depositing it directly at the National Insurance Office (*Rijksdienst voor Sociale Verzekeringen*). The employee would get in return a stamp on his contribution card. This card would allow him to prove that contributions had been paid on his behalf. Non-wage-earners would be required to deposit their contributions periodically at the post office. In return they would get a stamp to stick on their contribution card. The establishment of the National Insurance Office would lead to the abolishing of all the existing mutual benefit funds, public and private:

"In addition, the establishing of the National social Security Office would be accompanied by important changes in the role of professional associations, in particular of the trade unions and of the mutual benefit societies; the abolishing of all existing

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*Algemeen Rijksarchief* Rens-CEPAG 11). International learning was not limited to the British "example". The CEPAG also studied the system operating in Central Europe before the outbreak of the war. For instance, in July 1943, the Czech Frantisek Krauss presented a report to the CEPAG on social services in Central Europe which largely focussed on prewar Czechoslovakia.

95 Roch, 1958, p.1214.

96 Roch, 1943, p.19.



public and private funds, of all central and subsidiary funds for accident insurance, family allowances and annual paid holidays; the disappearance of the «accident insurance» departments in private insurance companies; of the National Office for Employment Exchange and Unemployment (*Rijksdienst voor Arbeidsbemiddeling en Werkloosheid*), of the Providence Fund for the Victims of Occupational Diseases (*Voorzorgfonds ten behoeve van de door Beroepsziekten Getroffenen*), of the unemployment funds of the trade unions (*syndicale werkloosheidskassen*), of the National Pension Fund for Miners (*Nationaal Pensioenfonds voor Mijnwerkers*), of the mutual benefit funds (*voorzorgskassen*), of the National Pension Fund for Salaried Employees (NKBP) and of the Special Bonus Fund (*Toelagefonds*); ...<sup>97</sup>

The various social insurance funds would be integrated into the new central administration. The National Insurance Office would be governed by a council consisting of the Minister of Social Affairs, by representatives of the insured, of the most representative trade-unions, of employers associations, of organisations of self-employed workers, of mutual benefit societies, of cooperatives, and of experts in socio-economic matters.

The Social Insurance Office (RSV) would have regional (*intercommunale*) and local branch offices which would administer a card system of all the insured, and keep a copy of these files (the other copy would be at the central office of the RSV). The state subsidies to the system were determined independent from the economic cycles. The surplus in revenue during an economic boom, was to be placed in a reserve fund to cover expenses during a recession.

In order to be able to participate in the administration of the new social security institutions, it was considered inevitable that trade unions adopt a legal personality (*rechtspersoonlijkheid*):

"It will be necessary that, while maintaining their freedom of expression and action, the trade unions, and other professional associations dispose over a legal personality, in order to enable their participation in the administration, the management and the direction of the National Office and of its regional and local branch offices, as to make it possible to appear before court, to file appeals, and, in general, to perform the powers linked to the implementation of the social laws and fulfil the tasks which they will be attributed in the new organisation"<sup>98</sup>

The plan may have had unanimous support of the Social Section, but it was rather severely criticised by Hubert Pierlot, the Catholic Prime Minister of the

97 Roch, 1958, p.1231.

98 Roch, 1958, p.1238.



Government in Exile. Pierlot argued that the plan proposed far too much state intervention, and that it was not enough based on the insurance principle (meaning a balance between contributions and benefits). In addition he criticised its universal scope:

"Il est difficilement soutenable que l'État doit assurer des pensions à des personnes qui peuvent vivre de leurs ressources ... L'idée de l'intervention de l'État en faveur d'ayants droit dont la situation ne justifie aucun sacrifice par les pouvoirs publics tend à diminuer le sens de la responsabilité individuelle et familiale." (99)

The Social Democratic under-secretary of Labour and Social Affairs, Joseph Bondas rejected this very restricted meaning Pierlot attributed to insurance. For Bondas, social insurance did not require that the insured would be primarily responsible for the financing of the system. In fact, he argued, general revenue financing was essential to assure the realisation of a system of *national solidarity*:

"Il peut être accompli par un tiers, en l'occurrence de l'État, qui assure, par son intervention financière, la réalisation du concept de solidarité nationale, qui est à la base du système." (100)

At all costs Bondas wanted to avoid the establishing of a dual system that would separate the needy from those who could insure themselves via their own means. Instead he proposed a system to which every citizen was to contribute -- even if the granting of benefits would still to some extent would take into account need:

"... on doit admettre qu'il est très difficile de justifier l'octroi d'une pension aux personnes, qui peuvent vivre de leurs ressources, parce qu'à la base du système, il y a un concept de solidarité nationale. Il serait logique que l'obligation d'effectuer des versement soit générale, mais que l'exercice du droit aux assurances sociales soit subordonné à l'existence d'un état de besoin. Toutefois celui-ci serait présumé exister; il appartiendrait à l'Office des assurances de faire la preuve contraire." (101)

99 Hubert PIERLOT *Note sur le Rapport de la Section Sociale* 31 August 1943, Document II/FVH/3032 p.7, in Navorsings- en Studiecentrum voor de Geschiedenis van de Tweede Wereldoorlog PD40 No.287.

100 Joseph BONDAS *Examen de la note de Monsieur le Premier Ministre du 31 août 1943 sur le rapport de la Section Sociale (doc S5/28)* 5 October 1943, p.5, Document II/NH/3524 in Navorsings- en Studiecentrum voor de Geschiedenis van de Tweede Wereldoorlog PD40 No.289, p.5.

101 Bondas, 1943, p.5.



#### 2.2.4. *The Social Pact.*

After in 1940, the German authorities had decided to dissolve the board of directors of the National Office for Employment Exchange and Unemployment (*Nationale Dienst voor Arbeidsbemiddeling en Werkloosheid* or NDAW), a number of its members took the initiative to maintain contacts between employers and workers. This group included Henri Fuss (before the war, royal commissioner in charge of investigating the reform of the unemployment insurance system, and general director at the Ministry of Labour and Social Affairs), Georges Velter (president of the employers' association *Fabrimetal*), Paul Goldschmidt (president of the employers' association *Comité Central Industriel*), the Christian syndicalist Henri Pauwels, the Socialist syndicalist L. Watillon, and Gaston Grignard (the former director of the NDAW). In addition, there were some occasional participants in the talks: the Christian syndicalist August Cool, the Socialist syndicalist Joseph Bondas (until he left for London, when he was replaced by Hubert Lapaille from the Socialist metalworkers union), Léon Delsinne (an economics professor who had been affiliated to the Socialist Workers Academy), Arthur Jauniaux (the leader of the federation of Socialist Mutual Benefit Societies), and the Socialists Louis Major and Achiel Van Acker (102). Léon Bekaert would also participate in these negotiations in his position as coordinator of the social commission established by the employers towards the end of 1942 (103). Initially, Alfred Van Melle of the federation of Christian mutual benefit societies was also involved in the talks, but as he fundamentally disagreed with Fuss' proposals on the reform of the sickness insurance system he basically dropped out of the negotiations (104).

According to Watillon, the negotiations primarily owe their success to commitment of the two civil servants, Fuss and Grignard (105). Without their

102 Guy SPITAEELS "Achille Van Acker: Père de la sécurité sociale en Belgique" in *Liber Amicorum Achiel Van Acker* Brugge: Orion 1973, pp.173-206 (p.185); and Herman BALTHAZAR "Sociale Welvaart en Overleegconomie, een Onvolkomen Wens" in *De Industrie in België. Twee Eeuwen Ontwikkeling 1780-1980* Brussels: Gemeentekrediet van België, 1981, pp.243-260 (p.244).

103 Bekeart had been asked by Alexandre Galopin the governor of the *Société Générale* (and one of the leaders of the Christian employers association) to coordinate the various study groups of the employers that dealt with the postwar social order (see Luyten, 1990, p.134 and p.141).

104 Patrick PASTURE Kerk, *Politiek en Sociale Actie. De Unieke Positie van de Arbeidsbeweging in België 1944-1973* Leuven: Garant, 1992, p.99.

105 L. WATILLON "Het Ontstaan van het Ontwerp van Akkoord van Sociale Solidariteit in België. III. Lonen en Arbeidsduur" in *Arbeidsblad* Vol.59, No.10, October 1958, pp.1191-1206.



help employers and workers would probably never had come to the agreement reached in 1944, the so-called "draft agreement on social solidarity" (*ontwerp van akkoord van sociale solidariteit*) which is generally referred to as the "Social Pact" (106).

This Social Pact sets out the framework for postwar industrial relations and for a reform of the social insurance system. The industrial relations part sought to guarantee social peace by institutionalising consultation between the main trade unions and the employers associations. This system was to reinforce the position of the moderate unions *vis-à-vis* the radical left wing of the Socialists and the Communists. However, a discussion of the industrial relations chapters of the Social Pact goes beyond the scope of this study.

The social security chapter of the Social Pact contained six paragraphs dealing respectively with old-age and premature death, sickness and invalidity, unemployment, family allowances, annual paid holidays, and finally the apportioning of the contributions. The two most important innovations were the introduction of a compulsory sickness insurance scheme for wage-earners, and of establishing a central institution which would collect a single all-encompassing social security contribution, combining the existing contributions for old-age pensions, sickness, health care, invalidity, unemployment and family allowances. This encompassing contribution would be deposited into a national fund that was to be administered by equal representation. This fund would re-apportion the single contribution over the various branches of the social insurance system.

During the inter-war period, the idea of a generalised compulsory social insurance (including sickness insurance) had already been advocated by the Catholic Minister of Labour and Social Affairs Hendrik Heyman, and by Henri Fuss when he was general director at this Ministry (107). Proposals in this respect had also been formulated as early as 1936 by the social security

106 This draft agreement has been reprinted in *Arbeidsblad* Vo.59, No.7-8, 1958, pp.848-862.

107 See Hendrik HEYMAN and baron M. HOUTART "Wetsontwerp betreffende de sociale verzekeringen" *Parlementaire Documenten -- Kamer van Volksvertegenwoordigers* 1929-1930, No.22, meeting of 10 December 1929. This legislative proposal only concerned the introduction of compulsory insurance against the risks of sickness and invalidity. However, the explanatory note (*memorie van toelichting*) presented the new scheme as part of a future comprehensive system of compulsory insurance against the risks of sickness, invalidity, and of old-age and unemployment. At the time, old-age pension insurance already was compulsory for wage-earners. The proposed sickness-invalidity scheme was initially also to be limited to wage-earners, but the first article of the proposed law, announced a gradual expansion of the coverage to include other categories of workers such as cottage industry workers, seamen, domestic servants, and more in general self-employed craftsmen.



commission established in the framework of the Labour Plan of Hendrik De Man. Camille Huysmans and Arthur Jauniaux even succeeded to include these proposals into the program of the second Van Zeeland government, but they were never implemented (108). The system of a single all-encompassing contribution had already been proposed by Van Acker as early as 1929 in a report he wrote on the budget of the Ministry of Industry, Labour and Social Welfare. Between 1936 and 1938, he had further developed this idea when he worked in the commission for social security of the *Studiecentrum voor de Hervorming van de Staat* (109).

Before the war, employers had to complete 23 forms for their employees. The various branches of the social insurance system used different methods to calculate the contributions: some were flat-rate, others were earnings-related, some contributions had to be paid monthly, others annually, and yet others each time the wage was paid out. Each branch of social insurance also had its own separate control administration (110). Apart from the advantage of administrative simplicity, a system with a single all-encompassing contribution would make it impossible to pick and choose the insurance against specific risks. Before the war, some employers, in agreement or not with their workers, tended to exclude for example old-age

108 Louis MAJOR "Interviewed by Michel Magits" in *Socialistische Standpunten* Vol.31, No.5-6, 1984, pp.15-20.

109 C.V. "De Maatschappelijke Zekerheid der Arbeiders in België" in *De Gids op Maatschappelijk Gebied* No.1-2, 1945, p.34-40. The general report on the work of the study centre was published as *De Hervorming van de Staat, Besluiten, Negende Commissie* (Brussels: Studiecentrum voor de Hervorming van de Staat, 1938), but the report of the commission investigating the rationalisation of the system of social legislation was supposed to be published in the course of 1940 (Henri VELGE "Le Problème de la Simplification des Lois Sociales" in *Bulletin Social des Industriels* Vol.17, No.110, March-April 1940, pp.53-59). However, because of the outbreak of the war, the complete report was never published. In the beginning of 1940, the part of the study dealing with the schemes for civil servants nevertheless was made public (see François & Basyn, 1940). For a discussion see also Léon FRANÇOIS "Les Pensions Civiles à Charge de l'Etat" in *Comptes-Rendus des Travaux de la Société d'Economie Politique de Belgique* No.151, March 1940. In that partial report, François strongly criticised the system of re-apportioning, and the lack of an autonomous pension fund for civil servants.

The CEPAG in London also published excerpts of the report as *Étude tendant à Simplifier l'Application des Lois Sociales Rapport de la Neuvième Commission du Centre d'Études pour la Réforme de l'État, Conclusion Additionnelles*, CEPAG Doc. 55/15 September 1942 [available in *Algemeen Rijksarchief Rens-CEPAG* 11]. The report called for the standardisation of contribution bases (which for the pension-scheme would have meant the introduction of a contribution reflecting a percentage of wages), for the establishing of a central social insurance fund (*Caisse Sociale Centrale*), and for the introduction of a single social security card, and of all-encompassing trimesterial contributions.

110 Joos FLORQUIN "Ten Huize van Achiel Van Acker" in *Liber Amicorum Achiel Van Acker* Brugge: Orion 1973, pp.79-116.



pension insurance because it was something to worry about later; in other cases, workers of good health would not be covered for sickness etc.

With respect to old-age pensions, the Social Pact proposed a benefit consisting of two components: a smaller component would still be based on capitalisation and be related to the contributions paid. The larger component would be financed by the state subsidies of the prewar era and some new State bonuses. These new bonuses would have to allow to immediately increase the benefits to about 50 per cent of the average wage:

"Pour couvrir les charges ainsi accrues, employeurs et travailleurs verseraient un total correspondant pour chacune des deux parties à 3.5% du salaire. Une partie de la somme servant au paiement des cotisations ouvrières et patronales prévues dans les lois de pension existantes pour être inscrite au compte individuel de chaque assuré, et le surplus étant consacré aux majorations par voie de répartition." (111).

### 2.2.5. *A Comparison of the CEPAG Plan and the Social Pact.*

Whereas the CEPAG plan proposed the introduction of a universal social security system covering all *citizens* (including, under certain conditions even other residents), the Social Pact limited its basic universe of solidarity to *wage-earners* (and their dependents) only. The CEPAG plan proposed a new system of social security primarily financed by progressive taxation, the Social Pact, on the other hand, merely wanted to make all existing contribution-based social insurance schemes compulsory for wage-earners, and integrate those schemes only to some extent by introducing the single all-encompassing contribution. The following table summarises the main features of the two blueprints.

111 Arthur DOUCY *La Sécurité Sociale en Belgique. Le Plan Van Acker* Paris: Librairie Générale de Droit et de Jurisprudence, 1946, pp.30-31.



Table 2.1. *A Comparison of the Proposals of the CEPAG Plan and of the Social Pact.*

CEPAG Plan	Social Pact
covering all citizens and residents	covering wage-earners and their dependents
primarily financed by progressive taxes combined with stricter control on the enforcement of the system	primarily financed by contributions of wage-earners and employers
administered by one national institution with regional and branch offices	maintaining the institutional pluralism involving existing insurance carriers
national administration including employers associations and trade unions only if they accepted a legal personality; also other interest groups	administration by equal representation of employers and employees without requiring the acceptance of legal personality
establishing a National Health Service with regional health care centres	maintaining fragmented system of health care with consolidation of the power of mutual benefit societies
inspired by Beveridge report and by "Social Democracy"	inspired by proposals formulated in Belgium before the war to reform an essentially Bismarckian system

The radical reforms proposed by CEPAG plan were clearly influenced by the Beveridge Report. In London, far away from the vested interests in the existing social insurance system, and from the power relations as they had developed at home during the occupation, it turned to be more easy to attack sacred cows like the "ideological pluralism" of the mutual benefit societies, the power of private insurance companies, or the interests of the trade-unions in the Ghent system.

The Social Pact, on the other hand, was based on proposals already formulated before the war in various investigatory commissions, and was tailored towards the vested interests of various groups and institutions. The architects of the Social Pact had simply been building upon the nascent pre-war tradition of corporatist negotiations between unions and employers. They had the additional advantage that they were familiar and in constant



contact with the realities as they evolved in the country during the occupation. Their ideas emanated from the collective consciousness of the social groups they represented.

The extent to which they had been influenced by the Beveridge Report remains subject to debate. Some have argued that the report reached the Belgian underground via parachute and that it was studied by the various groups that prepared a post-war order (112). However, Henri Fuss, one of the main architects of the Social Pact, has argued that

"Of course we knew about the existence of such a plan. But we never had the opportunity to study it. The social security arrangements conceived by the underground committee are hundred per cent Belgian and have nothing in common with the British scheme. The latter was based on the principle of covering the entire population. Ours was limited to wage-earners. It was an approach that reflected common sense." (113)

The Social Democrats in the London exile Government, probably also succeeded to obtain more radical concessions from the bourgeois parties, as there still was far more uncertainty about the stability of a postwar Belgium. When Bondas came in 1942 to London, he urged the CEPAG to elaborate a "sufficiently substantial program" in order to prevent "tout entraînement de les classes ouvrières à des mouvement de violence" (114). Bondas was clearly alluding to the increasing popularity of the Communist resistance. However towards the end of the war, the spectre of Communism appeared to be less threatening, as an overall majority of the working class had been co-opted by the Social Pact. In order to stop the expansion of Communism, the far-reaching concessions in the field of social security proposed by the CEPAG were no longer imperative.

When the Pierlot Government returned to the liberated country with boxes full of plans, the "Londoners" were coolly received. The CEPAG plan disappeared into the national archives, without even being considered or discussed. The proposals of the Social Pact, on the other hand, were smoothly translated into decrees and laws.

112 Leon-Eli TROCLET *De Sociale Zekerheid in België. Deel 1: Algemene Vraagstukken inzake Sociale Zekerheid* Brussels: Solvay-Instituut voor Sociologie, 1958, p.30.

113 Henri FUSS "Het Onstaan van het ontwerp van akkoord van sociale solidariteit in België. I. De sociale zekerheid" in *Arbeidsblad* Vol.59, No.7-8, July-August 1958, pp.863-870 (p.863).

114 "Proces Verbal de la Séance de la Section Social CEPAG London: Commission Belge pour l'Étude des Problèmes d'Après Guerre Doc.55/15 11 December 1942,



## 3

### **The Failure of a Social Democratic Reform: the First post-war Social Policy Compromises between Christian and Social Democracy.**

The first years following the liberation of the country are paradoxical in that even though the Socialist Party seemed to be stronger than ever, it failed to leave its imprint on the foundations of the post-war welfare state. The provisional measures adopted by the Government returning from London, had little to do with the Social Democrat blueprints worked out by the CEPAG. Rather, they were the almost literal translation of the plans worked out by co-opted trade unionists and representatives of employers. The successive Socialist dominated governments failed to redirect the spirit of these provisional measures, and refrained from developing Social Democratically inspired housing policies. When the Christian Democratic Party returned to power, it consolidated the sort of housing policies its Catholic predecessor had initiated during the 1920's.

In the 1946 elections, the parties of the left obtained a record share of the vote, almost 45 per cent, though they remained short of a majority (115). In addition, one can argue that labour also reinforced its position because there were substantially more representatives of the Christian labour movement elected under the ticket of the "new" Christian Democratic party, than had been before the war under that of the Catholic Bloc (116). The renamed

115 Before the war the Social Democrats and Communists combined, had obtained their best score in the 1925 elections when they received about 41 per cent of the vote. The 1945 victory was short-lived: after the introduction of female suffrage in 1948, the leftist share of the vote returned to its "usual" level between 35 and 40 per cent of the vote.

116 On August 19, 1945, the Christelijke Volkspartij was founded. The new Catholic party tried to get rid of the conservative image of its prewar predecessor, the *Katholieke Partij* which in 1937 had renamed itself into *Blok der Katholieken*. The Christian Labour movement was strongly represented in the new party: Paul Willem Segers, Jef Deschuyffeleer, Alfred De Taye, Geraard Van den Daele and Alfons Verbist were 5 of the 11 members of the organisational committee. On the Walloon side there were O. Grégoire and O. Behogne (2 out of 12). The national secretary of the Christian trade unions, Paul Willem Segers, the main architect of the new party, had a particular strong influence in the formulation of the so-called Christmas Programme "België moet wederopgebouwd worden, Wie zal de bouwmeester zijn?". This programme was published in the beginning of 1946 and was based on the principles of Christian personalism, which proposed a "third way" between liberalism and capitalism, on the



Catholic party significantly increased its share benefiting from both the lack of competition from the right, and its capacity to limit descent from its left wing (117). However these moderate shifts in electoral configuration are only relevant to the extent that they can be seen as reflection of the societal power relations. The policies under discussion in this section, were *not* formulated in Parliament, but in the framework of various extra-parliamentary corporatist negotiations that prepare drafts which were translated in legislative decrees (*besluitwetten*).

Table 3.1. *A Comparison of the 1939 and the 1946 Parliamentary Elections (and Number of Seats in the Chamber of Representatives -- total 202):*

	1939	1946
Catholics	32.7% (73)	42.5% (92)
UDB	--	2.2% (1)
Socialists	30.2% (64)	31.6% (69)
Liberals	17.2% (33)	8.9% (17)
Liberal-Socialist Cartel	--	1.5% (118)
Communists	5.4% (9)	12.7% (23)
Flemish Nationalists	8.3% (17)	--
Fascists (Rex)	4.4% (4)	--
Others	1.8% (2)	0.5% (0)

one hand, and the "collectivism" of the Socialists and Communists on the other hand. However, in terms of practical policy recommendations, this "personalism" offered little more than some general guide-lines, and before the war it had been a reference for many political groups ranging from the *Blok der Katholieken* to the Fascist Rex party. After the war, even the leftist UDB (see next footnote) referred to personalism.

117 In the Walloon provinces and attempt was made to establish a labourist party which was to transcend confessional cleavages, the *Union Démocratique Belge* (UDB). Even if the movement was strongly supported by a lot of the leaders of the Walloon Christian trade unions, it miserably failed in the 1946 elections (despite the fact it had controlled 2 out of 18 ministries in the anti-royalist Second van Acker Government. This failure can be attributed to various reasons: Cardinal Van Roey had called for Catholic unity which meant Catholic voters were not to vote for the UDB. More important probably was the ambiguous attitude of the UDB towards the return of the king and its tough stands on collaboration. The party lacked a grass-roots organisation and consisted mostly of intellectuals. For a discussion of the short history of the UDB see J.C. WILLAME "L'Union Démocratique Belge (U.D.B.) Essai de création «travailleuse»" in *Courier Hebdomadaire du CRISP* No.743-744, November 26, 1976.

118 In the province of Limburg, this cartel obtained 2 seats: one for the Socialists and one for the Liberals.



### 3.1. Social Security: A Compromise between Christian and Social Democracy?

The first social security reforms were the translation of the social pact concluded in clandestinity by moderate representatives of labour and capital. The labour movement abandoned the proposals for a radical "Beveridgean" reform as they had been formulated by Social Democratic exiles in London. The employers had to forsake their plans for an occupationally segregated social insurance system embedded in a strict conservative-corporatist order. The compromise was a "provisional" reform, which introduced measures that were to last for more than a decade. The "provisional reform" in fact consisted primarily of the implementation of most of the measures that, during the 1930's, had been proposed by representatives of the Christian labour movement and by politicians belonging to the pragmatic wing of the Socialist Party. As such they can be qualified as a compromise between Christian and Social Democracy, even if it seems to have been a compromise biased in favour of the ideas of the Christian Democratic movement.

#### 3.1.1. *The Van Acker Plan.*

When in September 1944, the Government returned from its London exile, the Secretary of State for Social Affairs, Joseph Bondas, asked the main initiator of the Social Pact, Henri Fuss, to coordinate the social policies of his department. Fuss kept on having this responsibility after Achiel Van Acker became the new Minister of Labour and Social Welfare. On the basis of the reports prepared in the framework of the Social Pact, Van Acker designed a plan that would be the basis for the Social Security Act pushed through Parliament on December 28, 1944 (119). The 1944 Social Security Act was a so-called legislative decree (*besluitwet*), based on a law adopted by Parliament only few months before the war had broken out: in September 1939, Parliament had granted extensive extraordinary powers to the Government (120). In December 1944, these extraordinary powers had been modified and supplemented; after this amendment, explicit mention was made of issues relating to social insurance, and to the organisation of social security (121).

119 For a detailed discussion of the plan and its translation into the 1944 Act, see Doucy, 1946.

120 See Act of 7 September 1939 "Wet waarbij aan de Koning buitengewone machten worden toegekend" in *Belgisch Staatsblad* 8 September 1939.

121 See Act of 14 December 1944 "Wet tot aanvulling van de wet van 7 september 1939 waarbij de Koning buitengewone worden toegekend" in *Belgisch Staatsblad* 16 December 1944, in particular



For wage-earners, the 1944 Social Security Act introduced compulsory sickness and invalidity insurance and compulsory unemployment insurance. It increased old-age pension benefits to a "descent" level, and improved the manual workers' arrangements for annual paid holidays. However, apart from a few minor amendments, the prewar pension laws and the regulations governing family allowances largely remained unchanged. And even if the 1944 act legislated important changes in the field of sickness and invalidity insurance, there too it relied primarily on existing institutions, in particular the ideologically segregated mutual benefit funds (122).

The act foresaw a steep increase of the employers' contributions. Whereas before the war these contributions amounted to about 6 per cent, under the new legislation they would be a little over 15 per cent. The miners were excluded from the 1944 Act in part because of the fact that due to their early retirement age (55 as compared to 65 for other wage-earners), their pension scheme was about twice as expensive. On the 10th of January 1945, a separate law was adopted to reform the miners' scheme which at the time covered about 150,000 workers in 72 enterprises (123). From 1945 onwards, all contributions for the miners were deposited into the National Pension Fund for Miners (*Nationaal Pensioenfonds voor Mijnwerkers*) and the responsibilities of the fund were enlarged to also include the administration of the miners' invalidity insurance and their scheme for annual paid holidays (124).

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the sixth article. This act also suspended the pension rights of civil servants who were accused of collaboration with the Nazis (see in particular, article 3).

122 As argued the scheme was made compulsory for wage-earners. In addition, the law introduced standardised benefits, where before the war they had varied according from fund to fund. In order to integrate the multitude of funds into the centralised system of collecting contributions, the law introduced a voucher system designed by Paul Goldschmidt (one of the Social Pact negotiators). Employers were to give their employees sickness insurance vouchers (*bijdragebonnen*) which indicated the wage on the basis of which the employer had paid the contributions to the newly established National Social Security Office. Subsequently, the insured employee had to submit these vouchers to the insuring institution of his choice.

123 Doucy, 1946, p.49.

124 Up to 1945, the pension scheme for miners was also administered by the General Savings and Annuity Fund (ASLK). The ASLK kept on administering contributions made to the fund before 1940, and remained responsible for paying out annuities resulting from funds thus capitalised. See Freddy KELDERS *L'Organisation Administrative de la Sécurité Sociale en Belgique* Liège: Faculté de Droit de l'Université de Liège, 1955, p.14, and the annual report of the ASLK of 1947 (Brussels, 1948). The fund also collected other social security contributions which it re-apportioned to the institutions responsible for the other branches of social insurance.



Table 3.2. *The Contributions to the Three main Wage-Earner Schemes.*

paid by	salariéd employees	manual workers	miners
employees	8.25%	8.0%	8.0%
employers	15.25%	15.5%	17.5%
total	23.5%	23.5%	25.5%

The contributions would be centrally collected by a new institution: the National Social Security Office (*Rijksdienst voor Maatschappelijke Zekerheid* or RMZ). The RMZ was a public institutions administered by a board composed of an equal number of representatives of employers and employees. In addition, the Ministry of Labour and Social Affairs also had one representative on this board, but this agent only had an advisory role (125). One of the negotiators of the Social Pact, the director of the employers associations CCI Paul Goldschmidt, became the first general director of the RMZ. Another Social Pact negotiator, Henri Fuss became president of the administrative board. George Velter, also pact veteran represented the employers, together with M. van der Rest of the CCI, M. Pivon and L. Maes of the Christian employers association ACVW. The employees side also included two pact veterans: August Cool and Henri Pauwels for the Christian trade unions. The socialists trade unions were represented by L. Spillemaeckers and C. van Belle.

Under the new regulations, the employer was to deduct the contribution of his employee from the latter's wage and deposit it at the end of each trimester, together with his own contribution, at the RMZ. The RMZ would then re-apportion the sums collected over the various branches of the social security system. This re-apportioning would be done as follows:

125 The representative of the Ministry nevertheless had a right to veto all organisational rules he considered to be in conflict with the law, ore to contradict the interests of the State.



Table 3.3. Breakdown of the Re-Appportioning of the Contributions according to Branch and Scheme.

branch	salaried employees	manual workers	miners
old-age pensions	10.5%	7.0%	9.0%
sickness-invalidity	5.0%	6.0%	6.0%
unemployment insurance	2.0%	2.0%	2.0%
family allowances	6.0%	6.0%	6.0%
annual paid holidays	0.0%	2.5%	2.5%
total	23.5%	23.5%	25.5%

These percentages were intended to be only provisional, as the correspondence between revenue and expenses was only based on estimates. They could be adjusted in the future once the system would be operational (126).

Van Acker was very keen to translate his plan as soon as possible into a law. There were two main reasons for his precipitance. On the one hand he was well aware of the fact that the power constellation of the months following the liberation of the country was to the advantage of the labour movement, and that this was only a temporary situation which was not going to last that long (127). In retrospect, Louis Major has argued that

"We said to the employers: you accept this or we go on strike (*we leggen de blokken er op*). For us it was a very advantageous power relation and we have benefited from it." (128)

At the time Van Acker gave a more profound justification for his hastiness. In the beginning of December, in a speech before Parliament he gave evidence of an iron logic when he declared that

"Je répète ici ce que j'ai dit à la commission et dans les mêmes termes: «C'est maintenant le moment de faire cette réalisation, car, si vous ne la faites pas aujourd'hui, vous ne la ferez pas

126 See Achiel VAN ACKER "Voordracht aan de Regent Besluitwet van 28 December 1944 betreffende de Maatschappelijke Zekerheid der Arbeiders" in *Belgisch Staatsblad* December 30 1944, reprinted in 1958, Troclet, 1958, Appendix No.3, p.326-344. The adjustments would turn out to be only marginal.

127 In this respect the labour movement had drawn adequate lessons from what had happened after the First World War.

128 Major, 1984, p.19.



demain, et voici pourquoi: parce qu'un mètre se compose de cent centimètres et non de cent deux centimètres.» (129)

A second, more technocratic, reason has been suggested by Arthur Doucy, who commenting on Van Acker's plan has argued that

"Si le plan avait été mis en application dans une période de bien-être et non pas dans le régime de disette que nous connaissions en janvier 1945, sans doute l'augmentation se serait-elle traduite par une hausse du coût de la vie, qui n'aurait pu freiner. Il fallait pouvoir mettre le plan en application dans une période où la disetteregnait encore." (130)

### 3.1.2. *Was the 1944 Act a Social Democratic Reform?*

It cannot be disputed that several important Social Democrats played a central role in the formulation and implementation of the 1944 social security act. Achiel Van Acker has been called the "founding father of social security" in Belgium (131). However, one can question to what extent Van Acker and Socialist Social Pact negotiators such as Louis Major were really implementing Social Democratic ideas. The theoretical origins of the measures they ended up proposing can be traced back by to plans formulated in 1930 by the Christian Democratic Minister of Industry, Labour and Social Welfare, Hendrik Heyman, and even to measures which the Germans started to implement during the occupation. Van Ackers' plan had hardly anything in common with the plans worked out by the prewar Social Democratic leadership during its exile in London. Van Acker's plan not only differed from the blueprints of the London exiles, it was also strongly criticised at home.

For example, at the first congress of the Socialist trade unions after the liberation, Arthur Gailly, a trade union secretary vigorously opposed the continuation of a pensions scheme financed by contributions. He argued

"I represented the metalworkers. Already before the war we demanded equality in terms of pensions. We still adhere to this conviction ... Let us pay a pension to everyone, without

129 *Parlementaire Handelingen Senaat 1944-1945* session of December 7, 1944, p.53.

130 Doucy, 1946, p.34. Van Acker made a similar point in the Senate, when he argued that "actuellement notre économie est en train de se construire, de se stabiliser, et ... le moment est venu de réaliser le projet de sécurité sociale, parce que le jour où la situation économique se sera stabilisée, il ne sera plus possible d'imposer ces changes aux employeurs." *Parlementaire Handelingen Senaat 1944-1945* session of December 7, 1944, p.53.

131 For a discussion of this parenthood see Spitaels, 1973.



exception, financed by a general tax paid by the society at large."  
(132)

Instead of representing a Social Democratic conception on social security, Van Acker can more be seen as the loyal executor of the Catholic inspired Social Pact. Even if in his introduction to the law, Van Acker used what one could call a "Beveridgean terminology" such as "freedom from want", the prewar conservative heritage remained dominant in various aspects of the law. Van Acker continued to apply the anti-etatist views from which the Social Democrats had gradually started to move away from. His view had more affinities with the ideas promoted by the Christian Democrats, than by the doctrinal innovation of Belgian Social Democracy hesitantly initiated during the 1930's by Hendrik De Man, and translated into practical reforms by the social section of the CEPAG.

There were indeed several Socialists involved in the negotiation of the Social Pact, and compared to the existing system, they had been relatively successful in increasing the financial burdens for the employers. However, these concessions could be conceived of as financial compensations through which those employers sought to buy of more radical reforms in a similar vain as they had subsidized, during the occupation, such "moderate" syndicalists as Agust Cool, Louis Major and Achiel Van Acker to help them to maintain control over the underground unions, and thereby prevent a radicalisation of the working class.

From such a perspective the Social Pact can simply be seen as modern form of Bonapartist strategies of class abatement. The fact that a prominent ultra-conservative Catholic politician like baron Romain Moyersoen highly approved of the Social Pact and actually encouraged the Government to use it as an "inspiration for its social policies" corroborates such a view. Criticising the new Government's plans in this respect, Moyersoen argued before the Senate that

"It should be made public that there have been a multitude of negotiations between the best representatives of the employers and of the trade union movement, who together have laid the foundations for the future social institutions. We hope that the

132 Algemeen Belgisch Vakverbond Vakbondcongres December 23-25, 1944, p.60. At the same congress the general secretary of the BVV, the "Londoner" Paul Finet kept on demanding the establishing of a National Health Service and also called for general revenue financing, in order to establish a significant income redistribution.



Government will understand that it is in these circles that she has to look for inspiration for her own social policies." (133)

### 3.1.3. The "Provisional" Pension Reform.

The single all-encompassing contribution, introduced by the 1944 act, was still ear-marked according to the various branches of the social security system. The contributions paid for pensions in the two main wage-earner schemes could thus be broken down as follows:

*Table 3.4. Breakdown of the Contributions  
for Pensions by Source for the  
Two Main Schemes for Wage-Earners.*

	manual workers	salaried employees
employer: (on a total of)	3.5% (15.5%)	6.0% (15.25%)
wage-earner: (on a total of)	3.5% (8.0%)	4.5% (8.25%)

The only important amendment to the pension scheme, contained in the 1944 act, concerned the raising the benefits to a "minimum adequate level" (134). In order to finance these increases, the system of individual capitalisation was replaced by a mixed system in which part of the contributions were to be used for re-apportioning via a solidarity fund. The manual workers' scheme used most of the contributions for re-apportioning, whereas in the scheme for salaried employees, individual capitalisation remained the most important insurance technique. The following table gives an overview of the share of the two insurance techniques in the two schemes:

133 Romain MOYERSON in the Senate on October 4, 1944 *Parlementaire Handelingen -- Senaat*, September 1944 - November 1944, session of 4 October 1944, p.16.

134 which at the time of was valued at 16,200 francs per year.



Table 3.5. *Share of Individual Capitalisation in the two Main Schemes for Wage-Earners.*

	manual workers	salaried employees
total contribution:	23.5%	23.5%
total pension contr:	7.0%	10.5%
individually capitalised:	25fr.(+/-1%)	7.0%
re-apportioning fund:	+/- 6%	3.5%

This meant that from 1944 onwards, a pension benefit for a wage-earner had four components (135):

1. an annuity (*rente*);
2. a state subsidy of 50 per cent or at most 1,200 francs of the annuity (*staatsbijdrage*);
3. a flat-rate supplement of 2,100 francs for singles or 3,200 francs for couples (*kostenloze rentetoeslag*);
4. a complementary old-age bonus, introduced in 1944 financed from the so-called solidarity fund by means of re-apportioning; this bonus was set at 5,900 francs for singles and 8,900 francs for couples (*aanvullende ouderdomstoelage*).

The flat rate supplement was only granted to those who had been unable to make enough contributions in order to built up a sufficiently high pension capital. Those pensioners born before 1870, received the full flat-rate supplement. It then was progressively reduced for those born after 1870 to disappear altogether for singles born after 1898, and for married couples born after 1910. Initially, this supplement was only granted after a means-test. However in 1946, a law was adopted which exempted most pensioners from this means-test. The impact of this law is reflected in the drop of the number of pensioners, who were granted a benefit after a means-test, from 210,434 in 1945 to 91,655 in 1948. Whereas during the same period, pensioners obtaining a benefit without means-test increased from 61,543 in 1945 to 142,183 in 1948 (136).

### 3.1.4. What Prompted the "Provisional" Pension Reform?

The most important amendment of the pension scheme, the replacing of a system entirely based on individual capitalisation by a mixed system of

135 See Heyman, 1947, p.684 and Fr. MORRENS "Het Pensioensvraagstuk" in *De Christelijke Werkgever* Vol.2, No.5-6, 1946, pp.145-149 (p.146).

136 Data from Troclet, 1953, p.35.



re-apportioning and individual capitalisation, was not inspired by a coherent social doctrine. Rather, it was motivated by pragmatic considerations. The wartime induced inflation had devalued the capitalised pension funds. This devaluation had made it necessary to adjust benefits. These upward adjustments were urgent and could only be financed by a "pay-as-you-go" system. As the successor of Van Acker, the Minister of Labour and Social Welfare, Léon-Eli Troclet has argued

"A too radical change of the pension scheme would have delayed the implementation of the global reform. That is why a temporary amendment was adopted replacing capitalisation by re-apportioning." (137)

This system was intended to be provisional, but it was not to last longer than three years.

### 3.1.5. *The Coal Battle and the Amendments of the Scheme for Miners.*

In 1945, the coal production had dropped to a mere 23 per cent of its pre-war level, and the Government announced the restoration of the prewar production as one of its first priorities. During the war, Belgians had been more prepared to take on the dangerous work, in order to escape from the recruitment for forced labour in Germany. However after the war thousands of Belgian workers left the mines. This labour shortage reinforced the position of the miners who launched a series of strikes. The Government did not hesitate to solve these problems with a determined stick and carrot policy. On the one side, this so-called "Coal Battle" (*Kolenslag*) involved the forceful breaking of strikes. On the other side, it consisted of a series of welfare measures to keep or attract workers to the mines (138). Just as during the inter-war period the Government recruited foreign "guest workers" from Italy, Poland and Czechoslovakia in order to reduce the bargaining power of the unions. In addition the Government forced some 60,000 German prisoners of war and Belgians who had been accused of collaboration, to work in the mines (139). However, in the longer run other more stabilising measures were needed. One of these measures was the improvement of the pension scheme for miners. In May 1945, The Minister of Labour and Social

137 Troclet, 1958, p.37.

138 One of the most important measures were implemented in the field of housing. These measures will be discussed in section 4.2.

139 Brepoels, 1988, p.154.



Welfare Troclet implemented a provisional reform of the miners scheme (140). This provisional reform was consolidated by a legislative order in February 1947 (141). The order confirmed the monopoly of the National Pension Fund for Miners (*Nationaal Pensioenfonds voor Mijnwerkers* or NPM) (142).

The scheme also saw some changes in the method of financing, in particular an increase in the state's subsidies, though on the whole it remained based on the principle of individual capitalisation. Under the new regulations, retiring miners were granted a benefit which consisted of two parts: a part constituted through a system of subsidised individual capitalisation, and a portion financed by means of re-apportioning. The part constituted on the basis of individual capitalisation had three components:

- (1) an annuity from their individual capitalised account at the ASLK (i.e. from contributions made prior to January 1, 1947);
- (2) a so-called complementary annuity payable by the complementary annuities fund of the NPM for miners, equal to 188 per cent of the annuity constituted with the ASLK during the period between January 1, 1931 and December 31, 1945;
- (3) an old-age annuity from the accumulation fund of the NPM, accruing from contributions made after January 1, 1946.

140 See in particular the legislative order of 8 May 1945 "Besluitwet houdende wijziging van het pensioenstelsel der mijnwerkers" in *Belgisch Staatsblad* 10-12 May 1945 (*ILO Legislative Series* 1945-Bel.2 Geneva: International Labour Office, 1945).

141 See the legislative order of 25 February 1947 "Besluitwet tot samenvoeging en wijziging van de wetten betreffende het pensioenstelsel voor de mijnwerkers en de er mee gelijkgesteld" in *Belgisch Staatsblad* 19 April 1947 (reprinted in English in *ILO Legislative Series* 1947 Bel.1, Geneva: International Labour Office, 1947).

142 Which had been granted in 1946 by the "Besluit van de Regent tot inrichting van de «kapitalisatie» bij het Nationaal Pensioenfonds der Mijnwerkers" (*Order of the Regent respecting the organisation of capitalisation in the National miners' Pension Fund*), dated 30 February 1946 in *Belgisch Staatsblad* 18/19 February 1946 (reprinted in English in *ILO Legislative Series* 1946-Bel.4, Geneva: International Labour Office, 1946). The ASLK nevertheless remained responsible for the contributions made before 1945 to its funds. In 1958, an attempt was made to integrate the administration of the miners' scheme into the newly created National fund for Old-age and Widows Pensions (*Rijkskas voor Rust en Overlevingspensioenen*) which already administered the manual workers' scheme. Though it seems to be the case that after the Socialist Minister of Labour was ousted this attempt was abandoned and the miners' scheme remained under the administration of National Pension Fund for Miners.



In addition, the State granted a subsidy amounting to 50 per cent of the benefit resulting from the sum of these three components (143). The part of the benefit financed by means of re-apportioning consisted of flat-rate sums which were only granted to those miners who had worked at least 20 years in the mines. They varied according to the marital status of the miner and also depended upon whether he worked under or above ground:

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744 francs	per year for married miners who worked underground;
600 francs	per year for married miners who worked above the ground;
492 francs	per year for non-married miners who worked underground;
600 francs	per year for non-married miners who worked above the ground.

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The 1947 order also granted retired miners the right to 3,400 kilograms of coal per year. The distribution of this coal would be the responsibility of the NPM.

The different treatment of miners who worked underground and those who worked above ground also led to differential contribution rates. Those who worked underground paid a total social security contribution of 31 per cent (8 per cent by the miner and 23 per cent by his employer). A miner who worked above ground only paid a contribution of 27 per cent (8 per cent by the miner and 19 per cent by his employer).

### 3.1.6. *The Stalemate on the Definitive Pension Reform.*

Already in 1946, Troclet, now Minister of Labour and Social Welfare in an anti-Royalist Government (without the Christian Democrats), established an investigatory commission to prepare a definitive old-age pensions scheme. During more than a year this commission met about twice a week, but failed to formulate a consensual proposal. The major point of disagreement concerned the choice between re-apportioning and capitalisation. The Socialists were divided on this issue. Some favoured a system primarily based on individual capitalisation. Part of the reason for these Socialists to opt for individual capitalisation was their lack of confidence in the capacity of

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143 During a transitory period, the rates would vary between 60, 75 and 100 per cent depending upon the year of birth (respectively 1880-1884, 1875-1879, 1867-1874 for men, and 1880-1884, 1875-1879, and 1872-1874 for women). For miners who had worked underground, there was an additional increase of one-third.



their movement to control in the future the State, and by consequence, a continued commitment towards a "ghetto-strategy": they argued that under a system of individual capitalisation

"the claim of the worker *vis-à-vis* the community comes to be recognised at all times in a direct and mathematical relation..."  
(144)

a system of individual capitalisation thus makes the recognition of pension rights

"entirely independent of the social convictions of the political groups who in the future will govern." (126)

Other Socialists favoured a system of "collective capitalisation" which would have an important element of re-apportioning of contributions and thereby would dilute the insurance character of the pension scheme (145). The commission ended up proposing three different systems to the Minister. Troclet favoured the proposal of the Socialist Senator Jean Van Laerhoven, but as he was now again part of a Government with the Christian Democrats, he failed to convince his coalition partners and the pension question remained unresolved.

In September 1949, the Catholic-Liberal Government of Gaston Eyskens launched a new initiative aimed at resolving the pension question. The Christian Democratic Minister of Labour and Social Welfare, Oscar Behogne, nominated Henri Fuss and Walter Leën as respectively national and vice-national commissioner with the task of rationalising the entire social security system (146). Instead of working out a compromise, the two commissioners each filed their own report (147). Fuss, initiator of the Social

144 See the discussion of Jauniaux's proposal in Roger ROYER *Het Vraagstuk der Sociale Pensioenen in België. Vergelijkende Studie over de Pensioenstelsels: «Individuele Kapitalisatie» en «Collectieve Kapitalisatie»* Brussels: [author], January 1948 (available in the Library of the Assurantie van de Belgische Boerenbond -- Leuven), p.6.

145 J. MARCY "La Réforme des Pensions Capitalisation ou Répartition? in *Problèmes* Vol.1, No.7, 1947, pp.414-419.

146 Behogne was a Walloon Christian Democrat who had repeatedly defended the interests of the Christian Labour Movement and of the national Federation of Christian Mutual Benefit Societies (LCM) when he worked with Paul Willem Segers in the Department of the Ministry of Public Works. At the time, Leën was director of the National Social Security Office close to the Christian Democrats. The social pact veteran Fuss on the other hand, was close to pragmatic Socialists like Van Acker.

147 Henri FUSS & Walter LEEN *Verslag over de Hervorming van de Maatschappelijke Zekerheid* Brussels: Ministerie van Arbeid en Sociale Voorzorg January, 1951.



Pact negotiations, represented more the cautious viewpoint of the Pact Socialists who were afraid to loose some of the concessions they had obtained from the employers. He considered a real definite reform impossible, and instead proposed to increase the subsidies from the state to the system, and to make the benefits more flat-rate.

Leën, on the other hand, reflected more the Catholic point of view (148). He advocated a system based on personnel responsibility with less state intervention. He advocated a territorial or sectoral decentralisation, though in contrast to the employers he favoured more the former, as a sectoral decentralisation could encourage occupational selfishness. Leën rejected flat-rate minima and wanted to finance the system more on the basis of labour performances. Finally, he proposed a separate scheme for wage-earners and for self-employed persons.

Because there were two separate reports neither of them had a direct impact on policy making and the stalemate on pensions remained unresolved. In 1952, Behogne nevertheless submitted a radical reform of the pension scheme for manual workers, which was primarily inspired by Leën's report. The proposed law would make benefits more dependent than before upon past earnings and length of employment career, and would introduce a mechanism of valorization (149). Behogne's blueprint failed to muster sufficient support in Parliament, but the traits of his proposal would be incorporated in the reform implemented by his successor Geeraard Van den Daele, who would also take some ideas of the Fuss report.

### 3.2. Housing Policies: The Persistence of Christian Democratic Ideas and Practices.

In Belgium, the war had led to a virtual standstill in housing construction. According to the Economic Commission for Europe, there were practically no new dwellings erected in the country during the period of the

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148 Leën had been a senior officer in the apparatus of the Christian labour movement. He was assisted by a commission which included the conservative Christian labour movement leader August Cool and L. Deweerdt, the secretary of the national federation of Christian mutual benefit societies for salaried employees (the *Landelijke Bedienden Centrale* or LBC).

149 Geeraard VAN DEN DAELE "Memorie van Toelichting bij het Wetsontwerp betreffende het ouderdomspensioen" in *Bescheiden Kamer* No.240 1951-1952, February 26, 1952, pp.1-15.



war. In addition, the country lost some 156,300 dwellings or 6.2 per cent of its 1939 housing stock. The average number of inhabitants per dwelling increased from 3.32 in 1939 to 3.44 in 1947 (150). One of the first general measures of the Government in the field of housing was the basic law on compensation for war damage which was adopted on October 1, 1947. The 1947 Act made small proprietors eligible for a hundred per cent compensation, whereas large proprietors only received a partial reimbursement. The latter nevertheless could finance the remainder of their reconstruction costs by loans at low interest rates varying between 2.0 and 2.75 per cent. The total cost of these programmes is estimated at some 55 billion francs (151).

On the other hand though, the Second World War had barely interrupted the continuity of Belgian capitalism. Its productive capacity had hardly been damaged, and the country thus experienced a fast post-war recovery which during the period 1945-1951 led it to achieve the highest standard of living in Western Europe. However, because of the outdated industrial apparatus and a conservative entrepreneurial class, the country was unable to maintain this position.

In its policy declaration, the Government of national unity under the leadership of Van Acker emphasised the necessity to speed up the recovery of the mining industry. As part of the "Coal Battle", the Government launched a campaign to attract workers to the mining industry and to keep them there. Apart from the earlier described improvements in the pensions scheme, the Van Acker Government adopted in April 1945 a law granting extraordinary low interest rates for mortgage loans for those who were prepared to work in the mining industry (152):

150 Data from Economic Commission for Europe, Committee on Housing, Building and Planning *European Housing Problems* E/ECE/110 Geneva: United Nations, 1949, Appendix I table 2. Immediately after the war, the Government issued a lower damage assessment: 36,672 houses were declared completely destroyed, 21,950 as damaged beyond repair and 92,770 as seriously damaged but still repairable (see "Wetsvoorstel houdende bijzondere bepalingen tot aanmoediging van het privaat initiatief bij het oprichten van goedkope woningen en het kopen van kleine landeigendommen" in *Parlementaire Bescheiden* 1946-1947 No.258).

151 Luykx, 1973, p.424.

152 Legislative order of 14 April 1945 "Besluitwet betreffende het toekennen van leningen tegen lage rente aan de mijnwerkers met het oog op de aankoop of het bouwen van een woning of woonvertrekken" in *Belgisch Staatsblad* No.16, 17 April 1945 (See also the legislative order of 13 December 1945 "Besluitwet van de Regent houdende uitvoering van de besluitwet van 14 april 1945, betreffende het toekennen van leningen tegen lage rente aan de mijnwerkers met het oog op de aankoop of het bouwen van een woning of woonvertrekken" in *Belgisch Staatsblad* 23 December 1945).



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- \* 2.5% for Miners who had been employed in the industry for less than 5 years;
  - \* 2.0% for miners with a career of 5 to 9 years;
  - \* 1.5% for miners with a career of 15 to 19 years;
  - \* 0.5% for miners who had worked in the industry for more than 20 years.
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During this period the commercial interest rates for regular mortgage loans were almost twice as high as the maximum rate for miners, and the social rates of the ASLK were set at 3.75 per cent (153). The preferential interest rates were contingent upon the fact that the miners would remain employed in the industry. The miners lost their privileges as soon as they changed employment and left the mining industry.

### 3.2.1. *The De Taye Act: A Christian Democratic Success Story.*

In 1945, the new Christian Democratic Party issued its program for post-war reconstruction with the symbolic title "Belgium needs to be rebuilt. Who will be the master builder?" (154). This so-called "Christmas Programme" was primarily based on the Christian-Personalist ideas of the Jesuit Valère Fallon and his book "Principes d'économie sociale". In this book Fallon linked private initiative to the Christian duty of charity and social justice (155). In line with Fallon's ideas, the Christian Democratic Party advocated a social legislation which promoted the spirit of ownership for the large mass of the population. As has been demonstrated, this already had been the main guide-line for the Catholic housing policies during the period between the two world wars. At the time Fallon had explicitly endorsed the policies first enacted by baron Moyersoen (156). In the field of housing it would be one of

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153 During the period 1945-1950, the commercial interest rates varied between 4.5 per cent and 5.1 per cent.

154 See Christelijke Volkspartij "België moet heropgebouwd worden. Wie zal de bouwmeester zijn" (1945) reprinted in M. VAN DEN WIJNGAERT *Ontstaan en Stichting van de CVP/PSC. De Lange Weg naar het Kerstprogramma* Brussels: Instituut voor Politieke Vorming, 1976, pp.91-161.

155 Valère FALLON *Principes d'Économie Sociale* Brugge: Beyaert, 1923.

156 See Valère FALLON "Le problème du Logement. Quelques mots de Réponse au «Peuple»" in *Vingtième Siècle* Vol.36, No.18, January 18, 1930, p.1. In his contribution to this Catholic doctrinal daily paper, Fallon reacted to Socialist criticism of the Catholic Government. He defended the policies of Minister Heyman, who continued to implement the housing policies of his predecessor Moyersoen:

"L'orientation donnée à la politique du logement populaire par M. le Ministre Heyman est la bonne. Bâter en masse, faire rouler le capital par la vente des maisons à bon marché,



Fallon's students, Alfred De Taye, who would become the "master builder" of Belgian postwar reconstruction (157).

In March 1947, De Taye submitted a proposal to Parliament to extend the field of application of the Moyersoens scheme. On May 29, 1948, his proposal could become the so-called De Taye Act, the cornerstone of Belgian postwar housing policies (158). Like the Moyersoens scheme, the De Taye Act granted subsidies for the purchasing of a modest dwelling. The new scheme offered two types of subsidies: a subsidy to purchase a dwelling constructed by the NMGW or by the NMKL, and a construction subsidy for the private erection of a moderately priced dwelling. In addition, in the case of a construction subsidy, the State guaranteed a mortgage loan amounting to some 70 to 90 per cent of the value of the property. In contrast to the Moyersoens subsidies, the new scheme did not involve a means-test, nor a maximum value of the dwelling to be built. The only conditions were that the total surface of a dwelling, built with a De Taye subsidy, could not exceed a maximum of 95 square meters, and that prospective applicants were not allowed to own already a dwelling, except if this dwelling was considered to be unhealthy and not fit for reconstruction.

The basic subsidy was set at 22,000 francs. This basic sum was increased by 10 per cent if the dwelling was located in a municipality of more than 30,000 inhabitants, and by 20 per cent if it was located in one of the five largest cities in the country. In addition this total amount was increased by 20 per cent for each child (159). This last feature of the law was justified in terms of a pro-natalist policy. During the parliamentary debates around the law, the Christian Democratic Senator, Theofiel Van Peteghem argued that

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encourager la vente et la construction par des primes proportionnées du nombre d'enfants, diminuer les loyers pour les familles nombreuses, veiller à l'observation prise ... par les Sociétés d'Habitations à bon marché -- cette méthode est la seule qui partiquement, puisse résoudre la question des habitations à bon marché et qui puisse supprimer les abus dont nous avons eu trop souvent à nous plaindre dans le passé."

157 De Taye studied at the *Centrale Hogeschool voor Christelijke Arbeiders* in Heverlee, where Fallon was lecturing.

158 "Wet van 29 mei, 1948 houdende bijzondere bepalingen tot aanmoediging van het privaatsinitiatief bij het oprichten van goedkope woningen en het kopen van kleine landeigendommen" in *Belgisch Staatsblad* June 10, 1948.

159 This meant that in 1949, the subsidy could cover up to 15 per cent of the total cost of a working class dwelling (Buyst, 1992, p.227).



"A large family needs to be able to build its own house. It are after all the large families that maintain the fatherland, and who maintain the numerical strength of the Belgian army." (160)

Even if it were primarily the relatively well off within the group of moderate income families who benefited from the subsidies of the De Taye scheme, the idea underlying the system was that in the end, by saturating the housing market with new dwellings, the lower income groups would also benefit, as they would be able to rent those houses that became available at comparatively lower rents.

From the beginning, the new scheme was quite successful. During the first year, some 7000 new dwellings were erected with State support. However, there were important regional variations. As much 60 per cent of the new houses were built in the Flemish provinces, with the remaining 40 per cent evenly split between the bilingual province of Brabant on the one hand, and the four Walloon provinces on the other hand. Originally the scheme was to remain operative for five years or up to the moment when 50,000 subsidies had been paid. But as early as 1951, the budget was close to be exhausted and the scheme had to be prolonged much earlier than had been anticipated (161).

The De Taye Act meant a fulfilment of the demands of the Christian labour movement. In 1946, the umbrella organisation of the Christian labour movement the ACW (162) issued a report on the housing problem, in which it recommended the promotion of home-ownership as a means to de-proletarianise the working class (163). This recommendation was justified by references to the Papal encyclicals *Rerum Novarum*, *Quadragesimo Anno* and *Divini*

160 See his intervention in *Parlementaire Handelingen -- Senaat*, 1947-1948, No.40 March 24, 1948, p.813.

161 See The Act of 20 March 1951 "Wet tot verlenging der wet van 29 mei 1948 tot aanmoediging van het privaat initiatief bij het oprichten van goedkope woningen en het kopen van kleine landeigendommen" in *Belgisch Staatsblad* April 7, 1951.

162 The ACW (*Algemeen Christelijke Werkersverbond*) coordinates the activities of the Christian trade union federation ACV (*Algemeen Christelijk Vakverbond*), the national federation of Christian mutual benefits societies LCM (*Landsbond der Christelijke Mutualiteiten*), the Christian manual workers unions KWB (*Katholieke Werkliedenbonden*), the association of Catholic workers' women KAV (*Katholieke Arbeidersvrouwengilden*) and the Catholic youth organisation KAJ (*Katholieke Arbeidersjeugd*).

163 "Volkswoningen voor onze Arbeiders" in *ACW-Reeks* No.2, 1946, Brussels: Algemeen Christelijk Werkersverbond.



*Redemptoris* (164). Even though it recognised the fact that home-ownership was only accessible for the better-off workers, the report explicitly rejected the promotion of social rental housing as a means to alleviate the housing needs of the less well-off strata of the working class:

"It is true that up to now only the most courageous workers were capable to acquire a dwelling through a loan. However, instead of concluding from this that rental housing ought to be generalised, we must investigate measures that will allow the average working man to become a home-owner too." (165)

A year before, an investigatory commission of the Christian employers had made a similar recommendation, even though they stressed a more active role for the employers in the promotion of home-ownership:

"Bâtir des logements ouvriers et en faciliter l'acquisition par leur personnel en cherchant à conjuguer cette acquisition par leur personnel en cherchant à conjuguer cette acquisition facile avec la fidélité du personnel de l'entreprise." (166)

The Socialists, on the other hand, were far less enthusiastic in endorsing the renewed scheme. They argued that the new law did not substantially change the existing regulations, but rather simply increased the number of recipients of existing construction subsidies (167). The De Taye scheme thus had all the shortcomings of the pre-war Moyersoen scheme. The Socialists were particularly critical of the absence of a means-test, of the fact that the maximum surface of 95 square meters did not take into account cellars, attics, staircases, entrance or annex-buildings, of the general lack of planning requirements and coordination, and of the fact that the new scheme still required significant down-payments, thereby making it inaccessible to low-income groups. At the advent of the June 1949 elections, the executive committee of the Socialist Party concluded that

"... the act favours those who dispose over a starting capital of 50,000 to 100,000 francs, as well as over a sufficiently high and stable income, and thereby excludes the economically weak. It is rather a scheme for the middle class than a scheme for the

164 See C. VAN GESTEL, ed. *Kerk en Samenleving. De Bijzonderste Sociale Documenten van de Pausen Leo XIII, Pius XI, Pius XII en Johannes XXII* Brussels: DAP Sociale Uitgaven, 1964.

165 "Volkswoningen voor onze Arbeiders", 1946, p. 61.

166 "Les Patrons Face au Problème du Logement des Travailleurs" in *Bulletin Social des Industriels* Vol. 17, No 111, August-October 1945, pp 267-268 (p. 267).

167 "De Wet de Taye" in *Problemen* Vol. 2, No 11, 1948, pp 692-696.



workers. It is more applicable in the country-side. The workers who live in the cities have little use of the new law." (168)

### 3.2.2. *The Brunfaut Act: A Minor Christian Democratic Concession*

To some extent the Socialists did appreciate the de-proletising aspect of the De Taye scheme, but even in this respect they argued that the scheme was limited in scope and too elitist. During the debates on the De Taye Act, the most prominent Socialist expert on housing issues, Fernand Brunfaut, pointed out that in the past modest income workers who had become a proprietor under the 1889 scheme and the Moyersoene scheme, later on had been forced to sell their house, as they were unable to meet redemption charges. Others had been forced to become what he called "dry bread proprietors" (*propriétaires à pain sec*) and had to make too much sacrifices to pay of their mortgage loans (169). As an alternative Brunfaut proposed to construct multi-family housing in the centres of towns and to revive the development of the 1920's garden cities in the suburbs.

In the beginning of 1949, Brunfaut submitted a legislative proposal to reorient the emphasis of State's policies. Originally Brunfaut's proposals aimed at reviving the spirit of the garden city and of establishing a social living environment, but his proposal was only accepted by the Catholics (170) after it was drastically watered down (171). The planning of the global living environment was reduced to a set of technical guide-lines. In addition, in the implementation of the law public funds for infrastructure were only allocated for basic utilities like gas, electricity and water. Investments for infrastructure to promote community formation and social contacts were altogether

168 Uitvoerend Comité van de BSP Syllabus No.3. *Voor een Woningsspolitiek* Elections of June 1949 Brussels: SAM, 1949, p.11 (available at AMSAB, the archives of the Flemish Socialist Labour Movement in Gent, File M/AD/02301).

169 See his intervention in *Parlementaire Handelingen -- Kamer Van Volksvertegenwoordigers* January 15, 1948, p.4.

170 who at the time controlled 92 of the 202 seats in the Chamber of representatives compared to only 69 for the Socialists.

171 "Wet van 15 April 1949 tot Instelling van een Nationaal Fonds voor Huisvesting" in *Belgisch Staatsblad* April 25-26, 1949. The original legislative proposal had the title "Establishing of a National Fund for Investment and Financing a National Housing Policy". Already from the title of the law that ultimately came to be adopted one can deduce the reduced scope: "Establishing of a National Fund for Housing".



cancelled (172). Whereas Brunfaut had wanted to subordinate the granting of the De Taye subsidies to a global housing policy, in practice the two systems of promoting home-ownership and of promoting social rental housing, continued to exist along one another.

The most important feature of the Brunfaut Act was the establishing of a National Housing Fund (*Nationaal Fonds voor de Huisvesting*). The idea to establish such a fund had already been launched by the Socialists in 1933 when they issued their Labour Plan (*Plan van de Arbeid*) (173). The underlying goal of the establishing of the fund was to render the financing of social housing more immune to political alterations and fluctuations in the State's finances. Brunfaut proposed four sources to finance this fund. First he wanted to introduce an annual housing tax on the profits of Belgian insurance companies and on the private enterprises holding the monopoly on the production and distribution of electricity; second, municipalities would be required to reserve part of their budget to endow the fund; thirdly, he proposed to introduce a annual personnel solidarity tax for housing purposes; and finally, the State was to pay an annual subsidy to the fund. After the Christian Democratic amendments only the fourth method of financing was retained. The State subsidy came to become a separate chapter in the budget of the Ministry of Public Health and Family. The fund was to be used primarily to finance the construction of low-cost rental housing. The fund also was to pay the difference between the interest rates paid by building societies for the loans granted by the NMGW and the NMKL, and the commercial interest rates paid by the latter to finance its activities (174).

The Brunfaut Act also created the framework for a number of institutions responsible to investigate housing problems and to give technical assistance to the recognised building societies. Thus was created a research

172 Hilde VAN DEN BOSCH *Het Huisvestingsbeleid in België. Deel 1: Literatuurstudie* unpublished MA Thesis, Katholieke Universiteit Leuven, Departement Sociologie, 1984, p.38.

173 The housing proposals had been worked out by the Commission for Urbanisation and Housing Construction, which stood under the leadership of Emil Vinck, who had been the first president of the NMGW. The conclusions of this commission can be found in Bureau d'Études Sociales *l'Exécution du Plan de Travail* Antwerpen: De Sikkels, 1935. In terms of housing policies, the plan had initiated the gradual abandonment by the Socialist of the idea of a socially constructed living environment and of the model of the garden city. Instead it only conceived of infrastructure in technical, if not technocratic terms. The Plan failed to mention anywhere such issues as tenants participation, community formation which had been at the centre of the modernist initiatives sponsored by the party under the form of the 1920's tenants cooperatives.

174 J. CEUTERICK "De Begrotingslasten van de Volkswoningpolitiek" in *Wonen* No.2, October 1957, pp.116-128 (p.121).



institution that later in 1956 would become the National Housing Institute (*Nationaal Instituut voor de huisvesting*), and an administration for control and implementation (*Uitvoerings- en Controledienst*). Brunfaut had envisaged far-reaching responsibilities for these new institutions, but as argued after the amendments of his legislative proposals the new institutions were left with only marginal powers.

### 3.2.3. *Semi-Governmental Housing Policies and Housing for the Middle Class: the case of the NKBP.*

During the Parliamentary debates around the De Taye Act and the Brunfaut Act, baron Moyersoen submitted a legislative proposal aimed at subsidising middle class housing. He proposed to establish a new national building society to alleviate the housing needs of salaried employees, civil servants, and for those who worked in liberal professions, small trade or who were self-employed. At the time this proposal was rejected, but in 1953, it was re-formulated by the Catholic Senator Maurice Schot, to be adopted in March 1954 (175). Under the new law, the State guaranteed mortgage loans through the intermediation of the ASLK, the Central Bureau for Mortgage Credit (*Central Bureau voor Hypothecair Krediet*) and the National Fund for Occupational Credit (*Nationale Kas voor Beroepskrediet*). The State guaranteed 50 to 60 per cent of a mortgage loan which could amount up to 80 or 90 per cent of the purchasing price (176). The definition of a middle-size dwelling varied with the number of children. A middle-sized dwelling could have a maximum sale-price of 450,000 BEF to 700,000 BEF if it was built on one of the five large conurbations or in the cities of Aalst, Brugge, Doornik, Genk, Hasselt, Kortrijk, La Louvière, Mechelen, Namur or Oostende. Otherwise the maximum value was set at 400,000 BEF to 600,000 BEF. In both cases the maximum allowed value could be increased by 5 per cent for each child, starting with the third child. In addition the value could be increased by 20 per cent if the applicant needed the dwelling for professional reasons. The

175 Act of 8 March 1954 "De wet tot bevordering van de bouw, de aankoop en de verbouwing van middelgrote woningen" in *Belgisch Staatsblad* April 5-6, 1954. The law had been fiercely opposed by the Socialists, in particular by Léon-Eli Troclet, but in the end was adopted by a Parliament in which the Christian Democrats were holding an absolute majority of 108 seats on a total of 202.

176 This included the price of the land. The higher percentages were applicable if the loan-taker concluded a life insurance contract.



social dimension of this measure has been questioned (177). It seems to be the case that these measures were more inspired by demands from the part of employers, who believed that their middle class work-force were increasingly unable to meet their housing needs when they moved to large conurbations to work in the booming service sector of the economy. The measures thus also were intended to contribute to the mobility of this pivotal segment of the work-force.

The impact of this law nevertheless remained very limited, as soon after its adoption, the Christian Democrats lost their absolute majority in Parliament and their homogeneous Government was replaced by an anti-clerical coalition of Socialists and Liberals (178). The Socialists were effective in imposing severe restrictions by manipulating the orders implementing the act, so that the new scheme offered few advantages compared with the existing provisions for middle-class loans, in particular the mortgage loans granted by the ASLK and NKBP.

The role of the NKBP (National Pension Fund for Salaried Employees) tends to be ignored in studies on Belgian housing policies. Up to 1968., when this pension fund was integrated into the general pension scheme for wage-earners, the NKBP granted each year more than a thousand mortgage loans, at strongly reduced interest rates, to salaried employees who had been affiliated with the fund for at least one year. Normally the preferential interest rate was set at 4.5 per cent, in some cases even as low as 4.0 per cent (179). The loans were only for the construction of owner-occupied dwellings, and applicants were not allowed to have the disposition over another dwelling. Thus, during the period 1949-1967, the NKBP reserved each year

177 See for example, Goosens, 1993, p.26.

178 The fourth Van Acker Government with the Socialists Leburton and Troclet holding the Ministries of Population and Family and of Labour and Social Welfare.

179 See the annual reports of the NKBP published as *Nationale Kas voor Bediendenpensioenen Verslag van de Verichtingen* Brussels: NKBP, 1947-1967. Other financial institutions involved in granting mortgage loans at preferential interest rates were the General savings and Annuity Fund (ASLK), the Belgian Workerscooperative Deposit Fund (*Belgische Arbeiderscoöperatieve Depositokas*) which was close the Christian labour trade union federation, the Fund of Farmers' Cooperatives (*Centrale Rafeisenkas*), the *Volksdepositokas*, the *Anwerpse Hypotheekkas*, the bank of the Christian Labour Movement, CODEP and the IPPA (see Dirk VAN DAMME *De Politiek Determinanten van het Sociaal Huisvestingsbeleid in België* unpublished MA thesis, Departement Politieke Wetenschappen, Katholieke Universiteit Leuven, 1979, p.80).



between 7 and 44 per cent of its assets for the granting of some 23,000 mortgage loans (180).

Another important semi-governmental institution in the field of housing policies, was the aforementioned Housing Fund of the League of Large Families (*Woningfonds van de Bond der Kroosterijke Gezinnen van België* or WBKGB). Between 1950 and 1978, this fund granted loans to some 54,379 families (181). These loans could be used to build, renovate or repair houses, or to pay back previously accumulated debts that were caused by such activities. In order to be considered "large" a family needs to have at least three children, and families applying for a loan are not allowed to dispose over another dwelling. There were certain limits in terms of the total value of the dwelling, and the family was required to occupy the dwelling during the entire period of the loan. Applicants were expected to conclude a life insurance contract with the ASLK, and eligibility was subject to income limits (182).

In 1964, the temporary character of the De Taye scheme was even abolished, and the subsidies became a permanent provision of Belgian housing policies.

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180 Data for the year 1961 are missing. Most of these loans were granted at the strongly reduced rates of 4.0, 4.5 or 5.0 per cent, though some years a substantial number of loans was granted at rates of 5.75 and even 6.75.

181 De Ridder and Minon, 1979, p.29.

182 For example, in 1979 a family with three children could get a loan at 5.25%, provided its taxable earnings in 1977 did not exceed the ceiling of 440,900 BEF. If its earnings would exceed this limit by at most 45,000 BEF, the family would still be eligible for a loan though at 6.25%. At that time, the rules in the region of Brussels, and in the Walloon provinces were stricter: the respective maximum ceiling were only 358,500 BEF and 30,000 BEF. In addition, in Flanders, there exists the notion of "young family" (a family married since less than 10 years) which increases the maximum earnings ceilings with 120,000 BEF).



between 1945 and 1950, the number of children in the family rose from 2.5 to 3.5. This was due to a combination of factors: a decline in infant mortality, a rise in the birth rate, and a decline in the death rate. The birth rate rose from 20 per 1,000 in 1945 to 25 per 1,000 in 1950. The death rate fell from 15 per 1,000 in 1945 to 10 per 1,000 in 1950. Infant mortality fell from 100 per 1,000 in 1945 to 50 per 1,000 in 1950. The decline in infant mortality was due to a combination of factors: a decline in the death rate, a rise in the birth rate, and a decline in the death rate. The birth rate rose from 20 per 1,000 in 1945 to 25 per 1,000 in 1950. The death rate fell from 15 per 1,000 in 1945 to 10 per 1,000 in 1950. Infant mortality fell from 100 per 1,000 in 1945 to 50 per 1,000 in 1950.

In 1955, the majority of children of the 1945 cohort were aged 10-14. This was due to a combination of factors: a decline in infant mortality, a rise in the birth rate, and a decline in the death rate. The birth rate rose from 20 per 1,000 in 1945 to 25 per 1,000 in 1950. The death rate fell from 15 per 1,000 in 1945 to 10 per 1,000 in 1950. Infant mortality fell from 100 per 1,000 in 1945 to 50 per 1,000 in 1950. The decline in infant mortality was due to a combination of factors: a decline in the death rate, a rise in the birth rate, and a decline in the death rate. The birth rate rose from 20 per 1,000 in 1945 to 25 per 1,000 in 1950. The death rate fell from 15 per 1,000 in 1945 to 10 per 1,000 in 1950. Infant mortality fell from 100 per 1,000 in 1945 to 50 per 1,000 in 1950.

The 1955 cohort of children of the 1945 cohort were aged 10-14. This was due to a combination of factors: a decline in infant mortality, a rise in the birth rate, and a decline in the death rate. The birth rate rose from 20 per 1,000 in 1945 to 25 per 1,000 in 1950. The death rate fell from 15 per 1,000 in 1945 to 10 per 1,000 in 1950. Infant mortality fell from 100 per 1,000 in 1945 to 50 per 1,000 in 1950. The decline in infant mortality was due to a combination of factors: a decline in the death rate, a rise in the birth rate, and a decline in the death rate. The birth rate rose from 20 per 1,000 in 1945 to 25 per 1,000 in 1950. The death rate fell from 15 per 1,000 in 1945 to 10 per 1,000 in 1950. Infant mortality fell from 100 per 1,000 in 1945 to 50 per 1,000 in 1950.



## **The Long Road Towards a Definitive Statutory Pensions Scheme and the Consolidation of Owner-Occupation.**

The ideological disagreement between the Christian and Social Democrats on the organising principles of social security had produced a stalemate. Provisional measures had been adopted inspired by pre-war reform proposals and by the mandate of the pragmatic Social Pact. Even if these measures were intended not to last for more than three years, it would take more than two decades before a more definitive system would be consolidated. The 1950's were characterised by a series of reforms and counter reforms. These reforms were inspired by the ideological prescriptions of the two main protagonists, the Christian and Social Democrats. The Liberal Party sometimes operated as a power broker, and succeeding in obtaining a number of important concessions, that even at the time appeared not to be all that important, would set the agenda for policy making during the 1970's.

On the housing front there was less turmoil. Here the Socialist Party failed to make any substantial adjustment of the path initiated by the Christian Democrats during the late 1940's -- a path which as was argued was little more than a continuation on a more extensive scale of the policies devised by the Catholic Party during the inter-war period.

### **4.1. The Christian Democratic Offensive and the Return of Troclet as Minister of Social Welfare.**

After the Socialists had failed to implement their ideas on how the definitive pension scheme was to look like, the homogeneous Catholic Government, that ascended to power in 1950, launched its attempt to model a pension system conform to the demands of the Christian labour movement which had become pivotal to Christian Democratic power. However, soon after the legislation reforming the scheme for manual workers was adopted by Parliament, the homogeneous Catholic government lost the elections and



was replaced by a coalition between Socialist and Liberals. Even if this Government failed to implement the progressive social policy the Socialist electorate had hoped for, it retroactively cancelled the reforms of the Christian Democratic Government, to pass its own reform. The Socialist Minister of Labour and Social Affairs, Léon-Eli Troclet, incorporated a number of the features of the cancelled reform, but added several Social Democratic accents, in particular a more important role for public institutions. Next, Troclet reformed the scheme for salaried employees, abolishing altogether individual capitalisation in the statutory arrangements, though leaving, probably under pressure of his Liberal coalition partner, the extra-statutory arrangements unaffected.



#### 4.1.1. *The Christian Democratic Pension Reform of Geerard Van den Daele.*

In 1953, the Geerard van den Daele, Minister of Labour and Social Welfare in the second homogeneous Christian Democratic Government of Jean Van Houtte, made the first successful attempt to establish a more definite pension scheme for manual workers. His reform adopted the main features of the scheme proposed by his predecessor Behogne, in particular the benefit formula which took into account past remuneration, the length of career, and the cost of living (183). The reform also definitively abolished the small element of individual capitalisation in the workers' scheme (184), and established the National Office for Manual Workers' Pensions (*Rijksdienst voor Arbeidspensioenen* or RAP) (185). This new institution took over the responsibilities of the institutions that previously had been responsible for administering the state subsidies (*staatsbijdrage*), the supplements (*kostenloze rente toeslag*), and bonuses (*aanvullende ouderdomstoelage*) (186). Apart from a simplification, this reorganisation also introduced equal representation into the administration of these funds which before had been controlled by boards made up of civil servants and experts nominated by the Government. Whereas the method of financing the scheme exclusively through re-apportioning can not be said to have followed the prescriptions of Christian Democracy, the introduction of equal representation clearly was a reflection of the long-standing demand of the Christian labour movement and contrasted with the etatism of the Socialists. The so-called individualisation of the pension, which established a more direct link between past wages and length of employment, also reflected the merit-based conceptions of Christian Democracy, even if most Socialists also favoured such a formula as it allowed for much higher replacement ratio's.

183 Act of 19 December 1953 "Wet van 29 December betreffende het Arbeiderspensioen" in *Belgisch Staatsblad* 31 December 1953. For a discussion of the main characteristics of the law see "Verslag van de Commissie van Arbeid en Sociale Voorzorg, belast met het onderzoek van het wetsontwerp betreffende de arbeiderspensioenen" in *Parlementaire Handelingen -- Senaat* session November 26, 1953.

184 As mentioned, under the 1944 regulations, only about one seventh of the pension contribution of manual workers was used for the purpose of individual capitalisation.

185 The establishing of such a single national office had been proposed by the report of the Royal Commissioner Henri Fuss.

186 i.e. the National Fund for Old-Age and Orphan Supplements (*Nationale Kas voor Ouderdom- en Weduwetoeslagen en Wezentoeslagen*), and the Fund for Widows and Orphans (*Fonds voor Weduwe en Wezen*).



#### 4.1.2. *The Return of the Socialist Troclet to the Ministry of Social Welfare.*

In the elections of April 1954, the Christian Democrats lost their absolute majority, and the homogeneous Catholic Government was replaced by a Coalition between the Social Democrats and the Liberals.

*Table 4.1. A Comparison of the 1950 and the 1954 Parliamentary Elections (and Number of Seats in the Chamber of Representatives):*

	1950	1954
Christian Democrats	47.68% (108)	41.14% (95)
Socialists	34.51% (77)	37.34% (86)
Liberals	11.25% (20)	12.15% (25)
Socialist-Liberal Cartel	1.77%	2.13
Communists	4.74% (7)	3.57% (4)
Flemish Nationalists	--	2.20% (1)
Others	0.05% (0)	1.47% (1)

The new Government was led by the Socialist Social Pact veteran, Achiël Van Acker, and the Socialist Léon-Eli Troclet returned to the Ministry of Labour and Social Welfare. The new Government was restrained by the Liberal coalition partner in implementing the progressive social policy the Socialist electorate had hoped for. Instead, the Socialists put most of their energy in the common anti-clerical programme and the conflict of the financing of private Catholic schools (187).

#### 4.1.3. *Troclet's Reform of the Scheme for Manual Workers.*

Troclet nevertheless made vigorous attempts to reverse the policies of his Christian Democratic predecessor. He was a prominent opponent of equal administration and favoured etatist schemes. One of his first political acts was to retroactively abolish the 1953 pension scheme. The law of June 28,

187 Some leading Social Democrats, like the president of the Socialist Party Max Buset, were convinced that a de-clericalisation was the only way in which Socialism could make a permanent break-through in Flanders. The main means to achieve the de-clericalisation was the expansion of the laicized public education system. They therefore subordinated social and economic policies to the educational policies of the Government (see Luykx, 1973, pp.445-447; and Els WITTE & Jan CRAEYBECKX *Politieke Geschiedenis van België sinds 1830. Spanningen in een Burgerlijke Democratie* Antwerpen: Standaard Wetenschappelijke Uitgeverij, 1983, p.324). Some have argued though that the school conflict should be seen as symbolic for a more general conflict of the role of the State in society, and the attempts to cut back the funding of private Catholic schools was as much reflecting the etatism of the Socialists, as their anti-clericalism (see Pasture, 1992, p.126-128).



1954 declared that the Government would implement all measures necessary to reinstate the social security legislation from the period before the Christian Democrats formed their homogeneous Governments. As a consequence, the new National Office for Manual Workers' Pension (RAP), was again dismantled (188). Soon afterwards, in May 1955, Troclet established the National Fund for Old-Age and Widows Pensions (*Rijkskas voor Rust- en Overlevingspensioenen* or RROP) (189). This new institution would have the same responsibilities as its predecessor, but would not be administered by equal representation. Instead, the Ministry of Labour and Social Welfare nominated a senior administrator-chargé d'affair (*beheerder-zaakvoerder*) who was assisted by an *advisory* board formed on the basis of the principle of equal representation. The Christian labour movement fiercely opposed Troclet's reforms, but it was difficult to muster sufficient support against them, as Troclet had made the tactical move to include his administrative reforms in a package deal which also contained an increase of pension benefits.

Apart from the different method of administration, Troclet's scheme closely resembled that of the cancelled 1953 law. Again the mixed system of re-apportioning and individual capitalisation was replaced by a system only using re-apportioning; and the 1955 scheme also reinforced the link between past remunerations and length of career by introducing a benefit formula based on fractions of a maximum benefit amounting to a certain percentage of past wages. For each year of employment, male pensioners received 1/45 of the total pension benefit and female pensioners 1/40, which meant that the maximum benefit was granted after an employment career of 45 years for men and 40 years for women. This maximum benefit was set at 75 per cent for a married worker whose wife has ceased all gainful activity and was not in receipt of an old-age pension (or other social security benefit), and at 60 per cent for other workers (190). As there were no reliable records of wages of the

188 Other retroactive measures included the cancelling of various Christian Democratic reforms of sickness insurance, and the replacing in some social security institutions of some representatives of the Christian labour movement by representatives of the Liberal trade unions (for a relative partisan account of these policies see Robert VANDEPUTTE *Sociale Geschiedenis van België. 1944-1985* Tielt: Lannoo, 1987, pp.51-52).

189 See the Act of 21 May 1955. The regulations of Troclet's new scheme were laid down by Royal Decree, dated June 1955. Both the Act and the regulations were published in *Belgisch Staatsblad* of 19 June 1955 (the act of 21 May has been reprinted in English in *ILO Legislative Series* 1955 Bel.4, Geneva: International Labour Office, 1955).

190 In this respect, Troclet's scheme was more advantageous than the Christian Democratic scheme, as under the 1953 Act, the corresponding percentages had been set at 60 and 45 respectively.



period prior to 1955, a lump sum was used, irrespective of the wage category to which the pensioner belonged (191). Where the working career consisted of more than 45 years (40 for women), the 45 (40) years which were most advantageous to the claimant were counted. Finally, the Troclet scheme also foresaw an adjustment of benefits to the cost of living; and the scheme included a residence requirement according to which pensions could only be claimed by persons who actually resided in Belgium.

#### 4.1.2. *Troclet's Reform of the Scheme for Salaried Employees.*

In 1957, Troclet presented his second major pension reform which concerned the scheme for salaried employees (192). In terms of financing the new scheme was entirely based on collective capitalisation, a system somewhere midway between individual capitalisation and complete re-apportioning. Under a system of collective capitalisation, the mathematical reserves are not determined individually but for the pension scheme as a whole. These mathematical reserves were to be kept to a strict minimum, and with this in mind, the law foresaw a revision of the contributions every five years as to adjust them to demographic evolutions. Yet it was expected that by the turn of the century they would amount to some 80,000 million francs.

Troclet would have preferred to abolish the so-called institutional pluralism and delegate the entire administration of the scheme to the semi-governmental National Pension Fund for Salaried Employees (NKBP). However, under pressure of his Liberal coalition partners, he was forced to maintain a place for the 15 private subsidiary insuring institutions and for the General Savings and Annuity Fund (ASLK). Officially the Liberals justified the continued existence of these private institutions in terms of individual

191 This lump sum was set at 37,333 francs per year for a married man and 31,166 francs per year for others. This meant that it would only be by the year 2,000 that actual pension benefits would fully reach the intended replacement ratios. Up to that date, the benefits granted would remain below the target of 60 per cent of past remunerations for singles and 75 per cent for couples, as the lump sum was inevitably lower than the real past remunerations of the claimant.

192 See Act of 12 July 1957 "Wet betreffende het rust- en overlevingspensioen voor bedienden" which appeared in *Belgisch Staatsblad* July 21, 1957 (reprinted in English in *ILO Legislative Series* 1957 Bel.4, Geneva: International Labour Office, 1957; see also "Besluit op de verzekeringsinstellingen" (Royal Decree of July 29, 1957, appeared in *Belgisch Staatsblad* of July 31, 1957); "Algemeen Reglement" (Royal Decree of July 30, 1957, appeared in *Belgisch Staatsblad* of August 1, 1957); "Organisatie en werking van de Nationale Kas voor Bediendenpensioenen" (Royal Decree of July 29, 1957, appeared in *Belgisch Staatsblad* of August 2, 1957); and "Aansluiting- en aannemingsverklaring" (Ministerial Decree of July 30, 1957, appeared in *Belgisch Staatsblad* of August 2, 1957).



freedom, but in fact they seemed to have been more concerned with limiting the public control over the large mathematical reserves, and with the safeguarding of the profits of commercial insurance companies -- even if with respect to the latter, the Liberal's obstruction seems to have been less successful. Troclet succeeded in severely limiting the freedom to dispose of the profits, by a series of complicated, if not obscure regulations (193). In addition, the law foresaw that in the definite scheme, the private institutions would no longer be authorised to pay "their" part of the pension directly to their members, but instead these subsidiary institutions would merely become debtors to the National Pension Fund for Salaried Employees (NKBP). They would have to deposit an amount calculated according to a fixed scale determined by the Government. Pieter Franzten has concisely summarized the intentions underlying these regulations:

"These stipulations make it clear that the recognised institutions no longer will have an interest in being involved in the administration of old-age pensions insurance. They probably will be gradually excluded until only the NKBP will remain, to the great advantage of the insured." (194)

The Liberals also succeeded in obtaining another important concession from Troclet: by inscribing a maximum ceiling in the benefit structure, they assured the commercial insurance companies an important future market for supplementary pension insurance (195).

193 In the future, the 15 private subsidiary institutions and the ASLK only were allowed to capitalise 4.25 per cent of the total pension contribution of 10.25 per cent (before the introduction of the 1957 scheme they controlled 7 per cent), and this contribution was to be calculated on a maximum annual salary of 60,000 francs, whereas the remaining 6 per cent would be calculated on a salary up to 120,000 francs. In addition, the private institutions were required to deposit all the profits they were left with, after making their contributions to the two reserve funds "A" (Act of 18 June 1930, 3 per cent) and "B" (Royal Decree 12 September 1936, 4 per cent), to a Common Fund for Valorization (*Gemeenschappelijk Herwaarderingsfonds*). A new fund was established within the NKP, to finance the adjusting of benefits to increases in the cost of living. Before the 1957 reform, the profits of the private subsidiary institutions were required to distribute to their members, via a re-apportioning fund, 75 per cent of the profits remaining after those institutions had contributed to the two reserve funds. Thus, before the 1957 reform they could dispose freely of one fourth of the profits after 7 per cent was deducted for the two reserve funds.

194 Frantzen, 1957, p.113.

195 M. DUPEYROUX *Évolution et Tendances des Systèmes de Sécurité Sociale des Pays membres des Communautés Européennes et de la Grande-Bretagne* Luxembourg: Services des Communautés Européennes, 1966, p.119. The ceiling in the benefit structure was set at 60,000 francs for pensions based on employment before 1958; 96,000 francs for pensions based on employment between 1958 and 1959; and at 120,000 for employment from 1960 onwards (for a discussion, see "Belgium. New Legislation on Pensions for Salaried Employees" in *Bulletin of the International Social Security Association* Vol.10, No.12, 1957, pp.524-533). The Liberals also



For the rest, the benefit structure closely resembled the arrangements of the scheme for manual workers: benefits came to be calculated on the basis of fractions per year of employment ( $1/45$  for men,  $1/40$  for women) of 75 per cent of past remunerations (60 per cent for singles). Before the 1957 reform, claimants received each three months an annuity from their individually capitalised account, in addition to their monthly benefit. In accordance with the new law, these annuity, insofar they were formed by compulsory contributions, were confiscated up to a certain amount. The pensioners would no longer receive this sort of benefit, except if the amount exceeded the maximum rates, or if the benefits originated from other than compulsory contributions. Finally, like in the scheme for manual workers, the benefits would be adjusted to increases in the cost of living.

The reform of the scheme for salaried employees was even more controversial than the introduction of the new scheme for manual workers had been. It was fiercely opposed by the Christian union of salaried employees (*Landelijke Bedienden Centrale* or LBC), as well as by various employers associations and private insurance companies. The Christian union had been working on its own reform proposal. Already in 1952, the LBC had formulated a detailed reform program (196). This program was the basis for the legislative proposal submitted in 1955 by Léon Servais. However, even though the LBC had recognised that the excessive fragmentation of pension funds had resulted in excessive administration costs, the Servais proposal too continued to foresee a role for the 17 private subsidiary insurers. It differed from Troclet's scheme in that it proposed the maintaining of the element of individual capitalisation, and in that it recommended the introduction of administration based on "genuine" equal representation. Because of political manoeuvres by the Socialist Minister of Labour and Social Welfare, the Servais-proposal as such was never discussed,

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effectively blocked an amendment proposed by the labour wing of the Christian Democratic opposition to require private subsidiary pension funds to have at least 10,000 members in order to be allowed to continue to exist. If this requirement had been adopted, some of the funds catering for a largely liberal electorate such as the Fund of the Notary (*Notariat Belge*), the Fund for Executives (*Patronale Kas*) or the Fund for Journalists (*Toekomst van de Journalist*) were likely to have been absorbed by the NKBP. In fact if this measure would have been adopted only 5 private subsidiary insurance institutions would have survived (see "Verslag van de Commissie van Arbeid en Sociale Voorzorg, belast met het onderzoek van: 1. het wetsvoorstel op het bediendenpensioen en 2. het wetsvoorstel betreffende het rust- en overlevingspensioen voor bedienden" *Belgische Senaat Zitting 1956-1957* 17 January 1957, p.16).

196 See J. ROISIN "Het Bediendenpensioen" in ACV. *Tweemaandelijks Studieorgaan van het Algemeen Christelijk Vakverbond van België* Vol.25, No.5, 1957, pp.381-395.



but the Christian Democratic representatives succeeded in amending the Minister's proposal (197).

The employers association *Vlaams Economisch Verbond* (VEV), also strongly condemned the abandoning of the system of individual capitalisation. The association considered it "unacceptable" that under the new system of collective capitalisation, the State would control large sums within the capital market (198). Over time, the employers also always had maintained that institutional pluralism led to a "healthy spirit of competition" which they argued guaranteed a cost effective administration (199). Though this argument may correspond with the prejudgements on the functioning of public administrations, it is unambiguously refuted by the facts. The following table demonstrates that in 1953, the administration costs in the public and semi-public institutions was substantially lower than those in the 15 private subsidiary institutions (200):

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197 In particular, the maintaining of the same role for the private subsidiary insurers, and the establishing of a Common Fund for Valorization (*Gemeenschappelijk Herwaarderingsfonds*), financed by the profits of these subsidiary insurers.

198 The association estimated that by the turn of the century, the combined reserves for the two wage-earner schemes would amount to as much as 125,000,000,000 francs (see V. POTIER "De Nieuwe Wet op het Bediendpensioen" in *VEV Berichten* Vol.32, No.2, 1957, pp.195-198.

199 L. BEKAERT "De Hervorming der Maatschappelijke Zekerheid. II De ouderdomspensioenen" in *De Christelijke Werkgever* Vol.6, April-May 1950, pp.141-147 (p.145).

200 Data from Frantzen, 1957, p.112. These figures are of even greater significance if one takes into account that most private subsidiary institutions primarily administered the accounts of insured who are employed in large enterprises, and that these accounts require comparatively less administrative work. The majority of the members of the two semi-public institutions on the other hand, are employed in small and medium sized enterprises which increases the administration costs.



Table 4.2. Administration Costs for Public and Private Pension Funds

	general costs	number of active accounts	costs per account
National Pension Fund for Salaried Employees (NKBP)	18,493,552 fr.	220,817 fr.	83,75 fr.
General Savings and Annuity Fund (ASLK)	14,373,855 fr.	120,182 fr.	119,60 fr.
15 private funds	30,675,125 fr.	209,635 fr.	146,33 fr.
entire scheme	63,542,532 fr.	550,634 fr.	115,40 fr.

Finally, the employers expressed the fear that the State might be tempted to use the huge reserves of the scheme for salaried employees for other purpose, like for the financing of possible future deficits in the scheme for manual workers.

The private insurance companies effectively exploited these fears and organised a massive campaign against the Troclet scheme by distributing, with the help of the employers, thousands of brochures to salaried employees, and by organising "neutral" committees such as the Association for the Defense of the Pension for Salaried Employees (*Vereniging voor de Verdediging van het Bediendenpensioen* or VVBP). This committee formulated its own proposal, which was "remarkably" close to the proposals of the Association of Insurance Companies (*Verbond der Verzekeringsmaatschappijen*). Both proposals essentially argued that there was no need at all to change the existing arrangements. The only thing needed was an increase of the supplementary benefits, so that married men would obtain a pension between 45,000 and 50,000 francs, and singles a pension ranging between 36,000 and 40,000 francs.

It has been argued that both proposals were based on unrealistic financial plans and in the near future would require an increase in contributions. In general both proposals are said to have been worked out by people who were more concerned with the interests of the private insurance companies than with the well-being of retiring salaried employees (201).

201 See, for example, Frantzen, 1957, pp.121-122.



## 4.2. A Pension Scheme for Self-Employed Persons.

The Socialists and the Christian Democrats both failed to legislate a pension scheme for self-employed persons modelled after the arrangements for wage-earners. It would be the Liberal Minister for the (self-employed) Middle Class (*Minister van Middenstand*), not the Socialist Minister of Labour and Social Welfare, who towards the end of the 1950's introduced a pension scheme geared to the demands of various organisations claiming to represent the interests of the self-employed middle classes. This scheme was closer to traditional life-insurance schemes than to the sort of solidaristic arrangements characteristic of the schemes for the various classes of wage-earners.

### 4.2.1. *The Unsuccessful Attempts to Emulate the Wage-Earners Schemes.*

The first attempts to establish a compulsory pension scheme for self-employed workers date back to the 1930's. The 1930 pension act, and more in particular the Decree of 12 March 1932, not only concerned wage-earners, but also applied to self-employed workers with an annual income below 18,000 francs. However in the act of 12 December 1937, which coordinated the various existing pension laws, there no longer was any mentioning of self-employed. The explanatory note to this coordinating law explains the reasons of this omission as follows:

"It is evident that the self-employed workers who were incorporated into compulsory insurance by means of the law of 14 July 1930, clearly failed to comply with their obligations. According to the annual report of the General Savings and Annuity Fund, only an insignificant number of contributions was made by self-employed persons, namely 7883 in 1932, 9,597 in 1933, 7,610 in 1934 and 6,199 in 1935."

According to the Ministry of Labour, the figure for 1935 represented only 0.37 per cent of the number of people that should have complied with the law (202).

After the Second World War, several attempts were made to extend the pension scheme of wage-earners to cover also self-employed persons. The Social security Act of 1944 proclaimed that social security had to be assured to "self-employed workers, craftsmen, tradesmen, and persons exercising liberal professions, as well as to wage-earners". Even though the specific regulations

202 A. VAN ACKERE "De Vrije Pensioenkas voor Zelfstandigen en het Pensioen der Zelfstandigen" in *Tijdschrift van de Middenstand van België* No.2, 1957, pp.5-8 (p.6).



only concerned the latter group, the act announced that similar measures would be taken to the benefit of the other categories. Already in December 1945, the anti-royalist Government established a commission to study social security for self-employed workers. This commission was presided by the Christian Democrat baron Fernand Van Ackere and issued its report in 1947 (203). Soon afterwards, the Social Democratic Minister of Labour and Social Welfare, Troclet, submitted a legislative proposal to establish a compulsory pension scheme for those self-employed persons who were covered by the 1937 law on family allowances (204). The scheme would grant an annual pension of 13,500 francs, but was decisively rejected by those who claimed to speak on behalf of the self-employed because it required too high contributions (205). One of the associations of self-employed persons, the *Fédération des Classes Moyennes*, argued against an extension of the wage-earners' social security towards the group of self-employed as follows:

"les commerçants et artisans ... ont assez fait de douloureuses expériences en face de l'étatisme pour se méfier de celui-ci. D'autre part si la Sécurité Sociale des salariés est alimentée en grande partie par des cotisations patronales, il n'en est pas de même de la Sécurité Sociale pour artisans qui vivrait de leurs propres cotisations. Au fond, ils mettraient leur argent en commun pour le retirer ensuite, diminuer des frais d'administration qui, on le sait, sont très lourds dans ces organes parastataux. Donc, zéro comme avantages, zéro comme sécurité. En se sens, il vaut mieux que chaque travailleur libre mette de côté une petite provision d'argent pour les mauvais jours. Double avantage: il toucherait plus, il resterait libre de gérer son petit capital sans subir l'ingérence d'une administrations." (206)

While the association recognised that times had changed, and the individual old-age provisions had become inadequate, it decisively rejected a publicly organised system of solidarity:

203 Gérard RENAULT *La Pension des Travailleurs Indépendants* Brussels: Parti Liberal (Journée d'étude des Classes Moyennes), 1952, p.4.

204 Troclet submitted his proposal to the Senate on July 5, 1950 (see Léon-Eli TROCLET "La Pension des Travailleurs Indépendants" in *Centre d'Etudes et de Documentation Sociales de la Province de Liège* No.1, 1954, pp.3-26).

205 A general problem in countries with contributory social insurance pension schemes, is that for wage-earners half of the contribution burden is taken care of by their employers, while self-employed insured persons inevitably have to pay the whole contribution themselves.

206 "Faut-il étendre la Sécurité Sociale aux Classes Moyennes?" in *La Voix des Classes Moyennes* Vol.5, No.6, February 8-14, 1948, p.2.



"L'époque a changé. Actuellement on ne table plus sur l'épargne personnelle, on compte sur la solidarité humaine ... C'est une évolution logique parfaitement acceptable ...

Par contre, il n'est pas prouvé du tout que cette fraternité humaine dans le cas de la pension notamment, doive se traduire par une ingérence étatique. Il semble, même au contraire, que l'état fausse cette fraternité. En effet, l'administration est un organe inhumain qui écrase plus qu'il ne soutient, et même en dehors des frais énormes qu'il coûte, on se demande comment il pourrait représenter l'acte d'entre aide des hommes envers l'un d'eux plus malheureux." (207)

The association concluded that a pension scheme for self-employed was necessary, but that it should not be organised by a semi-governmental institution. In September 1948, the association launched a vicious campaign against Troclet's proposals (208).

Other unsuccessful proposals followed Troclet's faltered attempts, most of them authored by various Christian Democrats, but none succeeding in mustering sufficient support to become a law. Organisations claiming to represent the self-employed either altogether rejected a compulsory social security pension, or launched inconsistent proposals. At the occasion of its 1949 congress, the *Fédérations des Classes Moyennes* again forcefully rejected compulsory social insurance and called for measures to promote individual private old-age provisions. The State was to encourage private savings by facilitating the purchase of a family house, by allowing grating tax-exemptions for life insurance plans, and by granting subsidies to private pension plans (209).

Other organisations claiming to speak on behalf the self-employed, such as the *Federatie der Groeperingen van Fiscaal Verweer* and the *Economisch Blok van België*, called for the abolishing of the existing insurance-based social security pension and the establishing of a Scandinavian type of universal flat-rate people's pension (210). However, one can question the seriousness of

207 *idem*, p.3.

208 See for example the articles "De quoi se mêle Monsieur Troclet" in *La Voix des Classes Moyennes* Vol.5, No.30, September 1-7, 1948; "M. Troclet veut tuer la petite entreprise" in *La Voix des Classes Moyennes* Vol.6, No.17, April 27-May 4, 1949.

209 See "Sécurité pour les vieux jours!" in *La Voix des Classes Moyennes* Vol.6, No.12, March 23-30, 1949; and "Les Triomphales Journées de Liège" in *La Voix des Classes Moyennes* Vol.6, No.6, February 9-16, 1949; and the "Open Letter" in *La Voix des Classes Moyennes* Vol.7, No.24, June 14-21, 1949.

210 Since 1937, the *Economisch Blok van België* had been calling for a universal flat-rate people's pension (*nationaal gelijkheidspensioen*) which was to be supplemented by individual private savings (see *Economisch Blok van België Oproep tot de Gezagdragers en opinie voor het*



these proposals, as the same organisations called for an all-out abolishing of income tax. It is difficult to see how a State which would only obtain its income from indirect taxes, would be capable of taking the entire burden of a national pension scheme. The constant references to Denmark and Sweden are rather deceptive, considering that in those countries the State obtained, at the time, about one third to even half of its revenue through direct taxation (211).

#### 4.2.2. *Towards a Scheme Geared towards the Demands of the Self-Employed.*

In May 1952, the Christian Democratic Minister of Labour and Social Welfare, Geeraard Van den Daele, submitted a new legislative proposal (212). This proposal can be considered to be the last attempt to establish a scheme for self-employed persons resembling the wage-earner schemes. The proposed scheme would grant benefits amounting to 60 per cent of declared remunerations (with a maximum ceiling of 60,000 francs per year which would mean a maximum benefit of 36,000 francs); it would be financed by a contribution of 6 per cent on declared remunerations (with a ceiling of 60,000 francs per year which would mean a maximum contribution of 3,600 francs per year); it would be administered by a new national pension office for self-employed persons under the aegis of the Ministry of Labour and Social Welfare. Again this proposal was decisively rejected by those who claimed to represent the interests of the self-employed. Dupeyroux has commented on this series of unsuccessful attempts that

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*Veralgemeend Gelijheidspensioen* Brussels, 1954. See also a dozen of articles published in the bi-weekly journal *Het Sociaal Verweer* during the period 1946-1956. See for example "Voor de Herziening van het Pensioenstelsel" in *Het Sociaal Verweer* Vol.1, No.4, 1949, p.1; "De Les van Denemarken" in *Het Sociaal Verweer* Vol.15, No.22, June 1, 1951, p.1-2, 7-8; "Maatschappelijke Zekerheid voor allen! Op een basis van gelijkheid en rechtvaardigheid" in *Het Sociaal Verweer* Vol.11, No.25, June 22, 1947, p.1-2; and "Voor het Veralgemeend Gelijheidspensioen. Het Licht Komt uit het Noorden" in *Het Sociaal Verweer* Vol.14, No.16, April 30, 1950, p.1-7. Even though the group claimed to have the support of the Socialist Party and as much as 103 members of Parliament, one can question to what extent they really called for a Scandinavian Social Democratic welfare state model, as other "model" schemes, referred to, included those existing in Canada and South Africa and the schemes in operation in the states of California and New York!

211 In addition, Scandinavian countries suffered less from systematic fiscal fraud from the part of the self-employed, than countries like Belgium, France and Italy. It is quite understandable that wage-earners were not so keen on establishing general-revenue financed schemes granting flat-rate benefits, as that would mean that they would basically finance the pensions for the self-employed. It is precisely because of such conflicts that the family allowance scheme for self-employed calculates benefits on the basis of cadastral income.

212 For a discussion see Marcel LALOIRE "La Pension des Travailleurs Indépendants" in *La Revue Politique* Vol.3, No.3, 1953, pp.336-346.



"il semble que les perspectives d'extension se soient heurtées, comme en France, à une certaine défiance des groupes intéressés, qui n'étaient psychologiquement préparés ni à l'idée d'une assurance maladie obligatoire, ni à celle d'une assurance vieillesse obligatoire." (213)

Around the time the proposal of Van den Daele was discussed, the Institute for Economic and Social Studies of the Middle Class (*Economisch en Sociaal Instituut voor de Middenstand*), issued a report in which it elaborated its own blueprint for a pensions scheme (214). The scheme was not to resort under the Ministry of Labour and Social Welfare, but was to be parented by the ministry for the self-employed middle classes (*Ministerie van de Middenstand*). In terms of benefits and contributions, the proposal remained rather vague: the scheme was to guarantee a "descent minimum" which in 1953 would be about 18,000 francs per year; and contributions had to be "affordable for all and not absorb all savings" (which according to actuarial calculations would require an annual contribution of 2,400 francs per year for those who would start to work at the age of 25). The method of financing should be based on the principle of individual capitalisation, and the funds should be administered by private institutions. In particular on this last issue, the report took a very firm stand, as the failure of the 1930's scheme was considered to be partly a consequence of the absence of institutional pluralism (215). Finally, the State was to finance the valorization of benefits to compensate for devaluations and inflation. Most of these recommendations would be retained in the law that would be adopted under the Socialist-Liberal third Van Acker Government.

In January 1954, the homogeneous Christian Democratic Government of Jean van Houtte introduced a provisional scheme by amending the 1937 pensions act (216). In 1956, a more definite scheme was introduced by the

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213 Dupeyroux, 1966, p.93.

214 This institute had been established in 1946 and resorted under the High Council for the Middle Class (*Hoge Raad voor de Middenstand*). This council represents only part of the heterogeneous group of self-employed. It represents primarily small shop-owners and craftsmen. It does not represent such groups as farmers, doctors or lawyers. For an extensive discussion of this report see *Hoge Raad voor de Middenstand* "Advies betreffende het Pensioen voor Zelfstandige Arbeiders" in *Informatieblad van het Economisch en Sociaal Instituut voor de Middenstand* No.6, June 1953, pp.1-27.

215 See the arguments of baron Van Ackere, the chairman of the High Council for the Middle Class, in Van Ackere, 1957, pp.6-7.

216 For a discussion of this provisional scheme see Leen, 1954, pp.280-286.



Socialist-Liberal coalition (217). The scheme had been designed by the Liberal Minister responsible for the self-employed middle class (*Ministerie van de Middenstand*), Oscar Bossaert, and had two components: the first component consisted of so-called "unconditional pensions" and granted benefits based on a pure system of individual capitalisation. In addition, there was the second component which granted means-tested flat-rate allowances from a new solidarity fund (218). This solidarity fund was to be financed by an annual State subsidy of 750 million francs (during the first 20 years to be increased by 25 million each year); by an annual contribution of 5 per cent to be paid by the self-employed, who were required to establish a pension account (219); and by an additional State subsidy to be paid from 1970 onwards to compensate for the burdens caused by the 1954 provisional scheme. The scheme would be administered by the General Savings and Annuity Fund (ASLK) and by private licensed occupational and inter-occupational funds for self-employed workers set up for the purpose of the scheme (220). The law

217 See act of 30 June 1956 (published as "Wet betreffende het ouderdomspensioen der Zelfstandigen" in *Belgisch Staatsblad* 4 July, 1956); see also the Royal Decrees of 20 January, 26 September, 30 October and 29 November, 1956. For a general discussion see J. VAN GEEL *De Nieuwe Pensioenwet voor Zelfstandigen* Brussels: Arbeiderpers, 1956; and "Belgium. Compulsory Scheme for independent workers" in *Bulletin of the International Social Security Association* No. 11, 1956, pp.463-468.

218 In 1963, these flat-rate means-tested allowances were set at 24,000 francs for married couples, and 16,000 francs for singles.

219 The contribution formula were rather complicated. The scheme had various ceilings and distinguished persons whose self-employment was their main occupation, those for whom it was only a secondary occupation, lawyers, self employed who had a life-insurance contract and those who already had reached the retirement age (65 for men and 60 for women): For each of these groups the method of calculating the contribution differed according to the taxable income. For the first group of those who worked in self-employment as their main occupation the contributions were calculated as follows:

\* taxable income between 0 and 30,000 francs per year

flat-rate contribution of 1,500 francs of which

1/3 to the solidarity fund (men)

1/2 to the solidarity fund (women)

\* taxable income between 30,000 and 120,000 francs per year

contribution of 5 per cent of which

1/3 to the solidarity fund (men)

1/2 to the solidarity fund (women)

\* on the part of taxable income between 120,000 and 270,000 francs per year

contribution of 1 per cent entirely for the solidarity fund

These contributions were linked to the index of consumer prices. For a more detailed description and the formula for the other groups see J.MUTTON & J.KERKHOF'S "Het Pensioenstelsel voor Zelfstandigen" in *CEPESS Documenten* Vol.5, No.6, 1966, pp.88-105.



applied to farmers, craftsmen, traders, shop-owners, revisers, administrators, doctors, pharmacists etc.

The scheme can hardly be called the institutional expression of a system of social solidarity. Rather, in seeking to establish a strict relation between personnel effort and benefits, it is more a form of compulsory saving (221).

#### 4.3. The Christian Democratic Counter-Offensive, the Policies of the "Labourist" Government of the Early 1960's, and the Establishing of a Unified Scheme for Salaried Employees.

The 1958 elections again brought a homogeneous Christian Democratic Government to power (222). The minority Government implemented a few minor changes in social legislation (such as a raising of pension benefits), but was soon replaced by a coalition between the Christian Democrats and the Liberals (223). In this coalition, the Christian Democrat Léon Servais became the new Minister of Social Welfare (224). Servais reversed some of the measures of his Socialist predecessor. He thus re-introduced individual capitalisation in the scheme for salaried employees. The unrest around the

220 For example, on 6 July 1956, the employers association VEV established its own pension fund (see "De Nieuwe Wet op het Ouderdomspensioen der zelfstandigen). De pensioenkas voor Zelfstandigen van het V.E.V." in *VEV-Berichten* Vol.31, No.15, 1956, pp.1663-1671. By 1966, there were 16 such inter-occupational pension funds for self-employed persons. These funds were subject to control by the *Ministerie van Middenstand*.

221 J. ROMANS "Vergelijkende Studie van de Pensioenregelingen" in *CEPESS-Documenten* Vol.5, No.6, 1966, pp.122-140.

222 The voters apparently had sanctioned the educational policies of the Socialist-Liberal coalition, but the election results were such that neither the outgoing coalition, nor the Christian Democratic opposition held a majority: the Christian Democratic Party obtained 104 seats in the 212 seats Parliament, whereas the ousted coalition obtained 106 seats (84 for the Social Democrats and 21 for the Liberals) (the other three seats were controlled by the Communists, 2, and by the Flemish Nationalists (1). The Christian Democrats nevertheless did have an absolute majority in the Senate, and formed a minority Government which in the Chamber of deputies succeeded to obtain the support of two Liberals and of the Flemish Nationalist deputy.

223 This occurred after an "Education Pact" was concluded between the three main parties, Christian Democrats, Socialists and Liberals, settling the long-lasting conflict on the public financing of private Catholic schools.

224 Servais was a leader of the Christian labour movement. He had been the author of the legislative proposal to reform the pensions scheme for salaried employees, the proposal which competed with the reform implemented by Troclet in 1957.



rentrenchment policies of the so-called *Eenheidswet* can be considered to be the culmination of the postwar dispute on social and economic issues. The unrest though also was a turning point announcing a pacification of the ideological conflict on social security. From the middle of the 1960's onwards, it became increasingly difficult to identify a close link between the policy decisions taken regarding the statutory pension scheme and political actors responsible for them. It would be a coalition of Christian Democrats and Liberals that would implemented a major step towards unifying the main pension schemes for wage-earners. And in contrast to what happened during the 1950's, successive Governments of different ideological colours would no longer try to reverse each other reforms. At least with respect to statutory social security, the postwar controversies seemed to have been pacified.

#### 4.3.1. *The Re-introduction of Individual Capitalisation.*

The new centre-right coalition reversed some of the pensions reforms of the 1950's. In 1960, the Government passed a law whereby the system of individual capitalisation was again introduced in the pension scheme for salaried employees (225). Of the pension contribution of 10.25 per cent, 3 per cent was again individually capitalised, whereas the remaining 7.25 per cent was used for the purpose of collective capitalisation (226). The new system amalgamated the various components of the pension into one single benefit. In order to incorporate the individual capitalised annuities, the law introduced the principle of so-called subrogation (*subrogatie*) which implied that the subsidiary insurers did not pay the annuity to the insured directly, but to the NKBP which incorporated them into the single pension benefit.

The new law also stipulated that under certain conditions, retiring salaried employees could withdraw an important part of their pension at once

225 Act of 22 February, 1960. See also "Beknopt Verslag over de Verichtingen van de Individuele Kapitalisatie inzake Pensioenverzekering der Werknemers" in *Belgisch Tijdschrift voor de Sociale Zekerheid* Vol.10, No.9, 1964, pp.1325-1337. Under the 1960 act, the old-age pensions were financed via a system of individual capitalisation, whereas survivor pensions and the supplement voor widows (*aanpassingsvergoeding*) were financed by a system of collective capitalisation.

226 Of this 7.25 per cent, 6 per cent was contributed by the employer and 1.25 per cent by the employees. The 10.25 per cent contribution was calculated on a monthly remuneration of maximum 8,400 francs (as of April 1, 1960; this amount was regularly increased, for example as of 1 July 1966 it was already set at 9,850 francs). For more details see *Nationale Kas voor Bediendepensioenen Verslag over de Boekjaren 1960 en 1961* Brussels, 1961, pp.5-6.



as a pension capital; and it lifted some of the restrictions Troclet had imposed upon the 15 private subsidiary insurers (227).

#### 4.3.2. *The General Strike of 1960-61 and the Policies of the "Labourist" Government.*

In November 1960, the conservative Government announced the so-called *Eenheidswet*, a law which was to finance a programme of economic expansion by a policy of welfare state retrenchment (228). The proposed law was strongly criticised by the Socialists and prompted the most important postwar protest movement paralysing for four weeks the mining and steel industry in Wallonia, and crippling the harbour of Antwerp during 20 days (229). Despite the massive strikes, Parliament approved the *Eenheidswet* on January 21, 1963, but the strike aggravated internal divisions within the Government. The labour wing of the Christian Democrats, which had played a pivotal role in breaking the strikes, demanded a revision of some of the social welfare retrenchment measures. Behind the scenes, contacts were forged to establish a "labourist" coalition. When in the March 1961 elections, the "striking" parties were not sanctioned as expected, but even made some moderate gains, the Christian Democratic-Liberal coalition was replaced by a centre left Government of Christian Democrats and Socialists.

227 P. HORION "Het Particulier Beheer van de Sociale Zekerheid" in *Belgisch Tijdschrift voor Sociale Zekerheid* Vol.10, No.3, 1968, pp.397-414.

228 On November 4, the Government approved a legislative proposal "for economic expansion, social progress and financial recovery" which announced a programme for economic expansion which had to be financed by a large-scale retrenchment programme of 10,000,000,000 francs of spending cuts (primarily in civil servants pensions, education, defense and social welfare), and of 6,000,000,000 francs of new taxes (of which 85 per cent would be indirect and thus regressive). The proposal contained seven chapters. Each of these chapters separately was unacceptable for one of the coalition partners, but by combining them into a single act, Prime Minister Gaston Eyskens hoped to neutralise the resistance (in particular, opposition from the part of the Christian labour movement). For a discussion see Brepoels, 1988, pp.168-174; Mampuy, 1991, pp.240-242; and Luyckx, 1973, pp.467-469.

229 The strike movement started in the administration of Socialist controlled municipalities and rapidly spread into the private sector in the Southern Walloon provinces. The fact that this movement did not succeed in penetrating the private sector of the Northern Flemish provinces to the same extent was related to the hegemony, in that part of the country, of the Christian trade unions, whose national leadership refused to support a "political" strike (even if some radical local sections of the Christian trade union federation often ended up supporting the strike). In Wallonia, the strike movement was accompanied by riots and acts of sabotage prompted a severe authority crisis. The Government mobilised 15,000 soldiers to guard bridges, important intersections, and railway- and power stations. The riot-police was used to dismantle strike picket-lines, about 2000 workers were arrested, of which about half were condemned to at least one month imprisonment, whereas a "civilian" who fired a fatal shot at a worker in the picket-line around the National airline company, Sabena, was immediately acquitted of charges.



Table 4.3. A Comparison of the 1958 and the 1961 Parliamentary Elections (and Number of Seats in the Chamber of Representatives):

	1958	1961
Christian Democrats	46.49% (104)	41.45% (96)
Socialists	35.79% (84)	36.73% (84)
Liberals	11.05% (21)	12.33% (20)
Socialist-Liberal Cartel	2.10%	
Communists	1.89% (2)	3.08% (5)
Volksunie (230)	2.20% (1)	3.46% (5)
Others	0.70% (0)	2.92% (2)

In this centre-left cabinet, the Walloon Social Democrat, Edmond Leburton, became the new Minister of Social Welfare. This Government tried to implement a progressive fiscal and social policy.

It was primarily in the area of sickness insurance and educational policies that important reforms were accomplished, but on 3 April 1962, a law amending the pension scheme was adopted by Parliament too. The act had been prepared by Walloon Social Democrat Leburton. It did not contain fundamental changes, but accelerated the consolidation of the principle equivalence in benefits: it speeded up the granting of increased benefits, so that the high replacement ratios (60 per cent for singles and 75 per cent for married men) would become a reality earlier than originally planned by the previous Government (231). In addition, the law introduced a guaranteed minimum old-age benefit for pensioners who had retired before 1962.

During the late forties, when Leburton was director (*kabinetschef*) of the Minister of Labour and Social Welfare Troclet, Leburton had been very critical of the complexity and fragmentised nature of the Belgian social security system (232). He took up the threat of this criticism and started to prepare a new proposal to integrate and simplify the architecture of the pensions

230 The successor of the Flemish Nationalist Party, which over time evolved from a right-wing nationalist party into a centrist party advocating a federal state structure for Belgium with strict application of uni-lingualism in Flanders. Even though the party had primarily a Catholic middle class support, it increasingly called for left of the centre political, social and economic reforms, and as such became a functional equivalent to the Left Liberal parties that developed in several European countries during the 1960's.

231 In other words, the so-called transition period was shortened. See Marcel DEMETS "L'Apport Sociale de la Nouvelle Loi de Pensions" in *Socialisme* Vol.9, No.52, 1962, pp.431-438.

232 See Heyman, 1947, p.695.



system. This work resulted in the legislative proposal presented in 1966 by the Social Democrats. The plan proposed to amalgamate the various schemes for wage-earners and the scheme for civil servants, but failed to muster sufficient support in Parliament (233). It would only be under Leburton's Christian Democratic successor that a final integration of the different pensions schemes for wage-earners would finally come about, while the civil service and the self-employed would keep their own separate schemes.

Even after more than two decades of intensive reform, the Belgian old-age pension system had remained overly complex and far too fragmented. True, an overall majority of the population had some form of coverage, but the terms under which this occurred remained very diverse. Basically there were six main schemes, with each its own organisational logic: manual workers, salaried employees, miners, seamen, lawyers, self-employed, and finally, civil servants all had their own schemes (234).

The following table attempts to summarize the main characteristic of the five most important schemes (235).

233 See Michel HUENS "La réforme des régimes de pension" in *Les Dossiers de l'Action Sociale Catholique* Vol.45, No.1, 1968, pp.40-56 (p.42).

234 The preceding paragraphs focussed on the changes in the two main schemes for wage-earners and the scheme for self-employed persons. During the postwar years, the scheme for civil servants also saw some minor changes, such as the introduction, in 1951, of the valorization and of the so-called *perekwatie*, which established a link between pension benefits and wage increases for civil servants, while also guaranteeing the same benefit for retired servants with a similar employment career (see Act of 14 July, 1951 "Wet houdende de *perekwatie* van de rust-en overlevingspensioenen" in *Belgisch Staatsblad* 29 July 1951). Other changes included the regulations governing cumulation of a pension benefit with gainful activities (Act of 20 March 1958 "Wet betreffende de cumulatie van de pensioenen en wedden, en de regeling inzake rustpensioen voor verschillende ambten" in *Belgisch Staatsblad* 29 March 1958); the extension of the scheme towards employees of accredited semi-governmental organisations (Act of 28 April 1958 "Wet tot vaststelling van een zeker verband tussen de onderscheiden pensioenregelingen van de openbare sector" in *Belgisch Staatsblad* 7 May 1958); the integration of the various public sector schemes, i.e. the schemes for civil servants employed in the administration of the State, and those employed in the provincial administrations, municipal administrations, the postal service, the National Railways Corporation NMBS, and other semi-Governmental institutions (Act of 14 April, 1965), the centralisation of the administration of the scheme in the pensions department of the Ministry of Finance (see Vinciane MOLITOR *Étude Comparative des Régimes de Pension Applicables aux Fonctionnaires en Belgique, en France et au Luxembourg* Brussels: Ministère des Finances, École Nationale de Fiscalité et des Finances, 1992, p.9).

235 Not included in this table are the numerically small scheme for seamen, and the "seventh" scheme of voluntary insurance. Even though numerically quite important, this seventh scheme has been left out of the discussion as it hardly involved a solidaristic element (except for State subsidies, the origins of which date back to the Conservative-Liberal provisions of the late-19th century).



Table 4.4. A Comparison of the Five Main Pensions Schemes in 1966

	Miners	Manual Workers	Salaried Employees	Self-Employed	Civil Servants
<i>retirement age</i>					
men:	55-60	65	65	65	65
women:	(236)	60	60	60	65
<i>contributions</i>					
max wage:	none	none	118,200	insured pays	no contrib.
employers:	6.25%	7.00%	6.00%	1,500 fr./year	for old-
insured:	4.25%	5.50%	4.25%	+ 1.5% (237)	age
<i>state subsid:</i>	6.0% of wages	3,282,000,000	47,000,000	1,000,000,000	not appl.
<i>main principle</i>					
of financing:	re-apportion.	re-apportion.	indiv.cap.	indiv.cap.(238)	gener. rev.
<i>main benefit</i>					
formula (239):	(240)	1/40-1/45 per year of empl.	1/40-1/45 per year of empl.	1/40-1/45 per year of empl.	1/30-1/60 last wage
<i>administration:</i>	Nationaal Pensioen-fonds voor Mijnwerkers and 6 regional funds	Rijkskas voor Rust en Overlevings-pensioenen	NKBP, ASLK and 16 recogn. subsidiary funds (241)	ASLK and 16 inter-occup. pension-funds	Ministry of Finance
<i>mathematical reserves for</i>					
capitalisation:	6,000 mill.	10,000 mill.	40,000 mill.	not avail.	not appl.
re-apportion:	- 200 mill.	1,407, mill.	19,550 mill.	not avail.	not appl.
<i>number of active accounts:</i>	433,133	2,902,934	1,227,309	684,153	

236 Women were not allowed to work in the mines. The retirement age of 55 applied to those miners who worked underground, those who worked above ground could retire at 60.

237 1,500 francs per year for income below 30,000 per year, 5 per cent for part of income between 30,000 and 120,000 and 1 per cent on part of income between 120,000 and 270,000 francs per year.

238 The Solidarity Fund is financed by re-apportioning and by loans from the individually capitalised funds.

239 The lower fractions apply for women, whereas the higher fractions for men -- except in the scheme for salaried employees where the lower fractions apply to certain ranks and for pensioners (those who performed a functions requiring university-level education; for a discussion see section 1.1.4 of this paper).

240 Depended upon the contributions individually capitalised which were supplemented by a state subsidy which was as much as three times as high when the miner had worked underground for more than 30 years. In addition miners received free deliveries of coal.

241 The Solidarity Fund is administered by the Ministry for the Middle Class.



#### 4.3.3. *The Unification of the Schemes for Wage-Earners.*

The "Labourist" coalition performed poorly in the 1965 elections, to the benefit of the Conservative Liberals and the *Volksunie* who both more than doubled their number of seats in Parliament (242). After a short and reluctant continuation of the coalition between Christian Democrats and the Social Democrats, the former traded their Socialist partner for the Liberals (243). A Christian Democrat, Placide de Paepe, became the new Minister of Social Welfare. This representative of the Christian labour movement maintained a relative progressive social policy, as the Government needed the support of the vigilant Christian trade unions (244). It is under de Paepe's rule that the pension system for wage-earners would at last be harmonized and that the "provisional" arrangements of the Social Pact would find a more definitive solution.

In February 1967, Parliament approved a law granting special powers to the Government to implement its policy of economic recovery (245). On the basis of this law, the Government could implement a number of reforms without needing a Parliamentary majority for each measure separately. It is only by means of these special executive powers that de Paepe succeeded to implement his pension reform (246). The Minister declared that his main goal

242 In addition, a Walloon nationalist party, *Front Walloon*, and a party whose main programme consisted of preserving the privileges of the french-speaking population in and around the capital city of Brussels (the so-called *Front des Francophones*), entered into Parliament. The Social Democrats saw their share of the vote drop from 84 to 64 seats. They experienced particularly severe losses in Brussels, where the party had seen its share of the votes drop from 42.0 per cent to 25.7 per cent, within a time-span of only 10 years.

243 This interim Government, with the Socialist Hervé Brouhon (a former teacher, and journalist at the Socialist Daily *Le Peuple*) nevertheless legislated an important amendment of the pension scheme for wage-earners. The Act of 13 June 1966, introduced the principle of the "presumed employment" which meant that in the calculation of benefits for a pensioner who had always worked between January 1, 1946 and the day he reached the age of 65, the State presumed without any proof that he had been employed prior to the year 1946. Thus in calculating the benefit, the administration would add the number of years necessary to arrive at a full career. During these "presumed" years, the pensioner was assumed to have earned 76,000 francs per year.

244 See Luykx, 1973, pp.506-509.

245 "Wet van 21 Februari 1967 tot toekenning van bepaalde machten aan de koning ten einde de economische wederopleving, de bespoediging van de regionale reconversie, en de stabilisatie van het begrotingsevenwicht te verzekeren".

246 For a discussion of the main traits of the reform see Ministerie van Sociale Voorzorg *Het Pensioenstatuut voor Werknemers. Solidariteits en Eenheidsstelsel voor Arbeiders, Bedienden, Mijnwerkers en Zeevaardenden onder Belgische Vlag* Brussels: Ministerie van Sociale Voorzorg, 1967.



was to assure "the optimal use of all available resources" in order to guarantee a "balanced development of the pension sector" (247). In a note to the neo-corporatist consultation institution, the *Nationale Arbeidsraad*, de Paep explained more in detail the motives behind the reform he proposed.

The fragmented nature of the pensions system had undermined the financial viability of some of the schemes. As the following table illustrates, it was in particular the miners' scheme which was on the verge of going bankrupt, but reserves for the manual workers' scheme were also too limited to guarantee a sound financial basis in the future.

Table 4.5. *The Financial Situation of the Four Pension Schemes for Wage-Earners (in 1967 in million francs):*

	revenues		expenses	reserves	
	contribut.	subsidies		capitalis.	repartit.
Seamen	93	22.5	78	+/- 550	114
Miners	4,301	3,282	4,424	+/- 6,000	- 200
Workers	21,230	2,525	20,979	+/- 10,000	1,407
Sal. Empl.	7,365	47	6,115	+/- 40,000	19,550

The Minister convincingly argued that the better financial basis of the scheme for salaried employees had less to do with the fact that before 1944 they had paid much higher contributions, than with the long-term shifts in the structure of employment. Indeed during the postwar years the number of salaried employees had grown much faster than the number of manual workers, whereas the miners actually had seen a sharp drop in their numbers. These employment trends were reflected in the evolution of the number of contributions to the three schemes, and in the ratios between contributors and beneficiaries.

247 Placide DE PAEPE "Verslag aan de Koning" enclosed in the Royal Decree of 24 October 1967 "Koninklijk Besluit Nr.50 betreffende het rust- en overlevingspensioen voor werknemers" in *Belgisch Staatsblad* 27 October 1967, p.11246.



Table 4.6. *The Evolution of the Number of Contributions and the Ratio between Contributors and Beneficiaries in the Three Main Schemes for Wage-Earners (1957-1967).*

	Miners	Manual Workers	Salaried Employees
evolution of the number of contributions during the period 1957-1966	- 44.2%	+ 9.4%	+ 46.4%
ratio between contributors and beneficiaries in 1965	132.6%	33.7%	20.9%

The salaried employees interpreted the planned merger of the pensions schemes as a confiscation of the important collectively capitalised assessment funds. After the Minister had announced his plans, the Walloon section of the Christian federation of salaried employees (*Centrale Nationale des Employés* or CNE) (248) promptly issued the following statement:

«On mobilise tous les employés contre les projets gouvernementaux impliquant la collectivisation des réserves autres que celles qui concernent la capitalisation individuelle, ce qui aurait pour conséquence de compromettre définitivement une amélioration des pensions d'employés proportionnelle à l'effort de prévoyance qu'ils ont consenti depuis plus de trente ans, tous en n'apportant aucune solution réelle aux problèmes des autres régimes de pension»." (249)

Its Socialist counterpart, *Syndicat des Employés, Techniciens et Cadres* (or SETCA) also strongly reacted against the Government's plans. The Socialists claimed that the only goal of the Government was to reduce the state subsidies to the pensions system, in order to unburden the state budget:

"En réalité, ce problème fondamental de l'harmonisation des systèmes de pension et même de tout le système de sécurité sociale est vu comme une simple opération gouvernemental d'équilibre du budget." (250)

248 The CNE was the Walloon equivalent of the *Landelijke Bediendencentrale* or LBC in Flanders.

249 Quoted by Huens, 1968, p.43.

250 "Harmonisation des Pensions" in *Le Peuple* 30 August, 1967, p.1.



In general the salaried employees rejected the envisioned increases in contribution rates for their scheme without it being accompanied by corresponding increases in benefits. On September 1, both Walloon federations threatened to launch a strike; and on September 12 and October 10, they organised walk-outs in Brussels and in Wallonia (251).

The Flemish LBC was more moderate in its criticism and still hoped to amend the plan of de Paepe. In the end though, the union only succeeded in obtaining a few minor amendments to the original proposal. The main problem precluding a common strategy, was that the LBC refused to engage in a collective action with the Socialist unions as long as the latter did not abandon the legislative proposal of the Socialist representative Raoul Higuët, who also called for the introduction of a unitary pension scheme, the confiscation of reserve funds and important increases of contribution rates.

The fact that in the end only few amendments were made is partly related to the procedures used by the Government, in particular its resorting to special executive powers to pass the law. This had made it possible to pass the normal Parliamentary procedures, and had closed the avenue for the salaried employees to obtain amendments through their Parliamentary representatives. The failure to amend is probably also a consequence of the fact that the Christian Employers' Association had made a remarkable turn towards advocating the sort of solidaristic social policies which the new law exemplified. In an article published in its members' magazine, the Christian employers association assiduously defended the de Paepe proposal. The association seemed to have entirely abandoned its long-standing commitment to corporatist design of a compartmentalized social security system

"One can question the compartmentalisation of solidarity, i.e. the maintaining of separate schemes for manual workers, salaried employees, miners, seamen and self-employed workers. One can as well limit the solidarity to persons with black hair among one another, persons with red hair etc. The reform proposed by Minister de Paepe is an important step in breaking this new sort of group-egoism." (252)

While approving the fact that the proposal left untouched the individually capitalised funds, the Christian Employers also decisively rejected the claims the salaried employees made upon the collectively capitalised assessment

251 See "Le Syndicat des Employés remet un préavis de grève générale" in *Le Peuple* 24 August 1967, p.1; and Huens, 1968, p.47.

252 A. LAVENS "De Hervorming van de Pensioenstelsels" in *De Christelijke Werkgever* No.11, 1967, pp.450-451.



funds. The employers argued that the fact that these reserves were comparatively much larger for salaried employees than for manual workers, was solely due to the changes in employment structure. In fact, up to 1967 salaried employees had paid relatively smaller contributions to re-apportioning funds (since the 1960 reform 7.24 per cent, compared to 12 per cent for manual workers). Moreover the employers argued that

"... salaried employees have no property right, individual nor collective, to these re-apportioning reserves." (253)

Finally, the employers also defended the gradual increase of contribution rates for salaried employees, and even argued that the projected increases probably would not be high enough to allow in the long-term the maintaining of a replacement ratio of 75 per cent.

The other main employers association, the *Verbond der Belgische Nijverheid* (VBN), criticised both the Government and the SETCA-CNE strike. According to the VBN, the issue was to be decided by Parliament and not solely by a Government endowed with special executive powers. In this respect this employers' association took a position close to the LBC (254). Within the National Labour Council (*Nationale Arbeidsraad*), the employers also strongly opposed the projected increases in contribution rates. However, on October 24th, the Decree was issued with only minor amendments to the original proposal (255).

The new amalgamated scheme completely abandoned individual capitalisation (256). This measure was justified by referring back to arguments made in Walter Leën's report for the 1951 Royal Commission:

"... re-apportioning better corresponds to the true nature of «social» insurance than capitalisation; the latter belongs to the techniques of private insurance and better fits an individualistic view upon society. Social insurance on the other hand is based on the sharing of misfortunes. The hardships of old-age have to

253 Lavens, 1967, p.451.

254 See the articles of the secretary general of the LBC, K. VAN ROMPAEY "Handen af van bediendengelden" in *Gazet van Antwerpen* of 14 February 1967, p.2; and "Regeringsappetijt voor de bediendengelden. LBC niet akkoord met minister de Paepe" in *Gazet van Antwerpen* of 20 February 1967, p.2. Just like the employers, Van Rompaey called for a decision to be taken via a normal Parliamentary procedure.

255 Royal Decree No.50 of 24 October 1967 in *Belgisch Staatsblad* 27 October, 1967 (reprinted in English in *ILO Legislative Series* 1967 Bel.4, Geneva: International Labour Office, 1967).

256 Even if the legislator did not annul the acquired privileges under the existing systems of individual capitalisation. The repercussions of this commitment will be discussed in chapter 5.



be shared by the younger generations just as the hardships of those who are weak and are likely to become sick have to be partitioned with those who are strong and healthy, or like misfortunes of those who face a higher risk for accidents are shared by those who only face little risk; and just as family allowances are also financed by singles, and families with no or only few children." (257)

The 1967 order announced a convergence of contribution rates for manual workers and salaried employees. This convergence was to assure a long-term financial balance, and implied a gradual increase of the contributions to be paid by salaried employees from 10.25 per cent to 12.50 per cent. The increase would be implemented as follows:

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1968: no increase

1969: no increase

1970: increase of 0.50% (0.25% for the insured, 0.25% for the employer)

1971: increase of 0.50% (0.25% for the insured, 0.25% for the employer)

1972: increase of 0.50% (0.25% for the insured, 0.25% for the employer)

1973: increase of 0.50% (0.25% for the insured, 0.25% for the employer)

1974: increase of 0.25% (entirely for the insured) (258)

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In addition, the law foresaw the possibility to introduce a maximum wage in the calculation of benefits for workers, similar to the one which already applied to salaried employees and seamen (259). The State pledged to subsidise the scheme with 6,000 million per year, and this subsidy would be

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257 Ministerie van Sociale Voorzorg, 1967, p.18. However, under the new arrangements, the existing individually capitalised funds would not be confiscated and the insured maintained their rights to the annuities on those funds. The *profits* on the investments of the funds for salaried employees would nevertheless be used to finance the re-apportioning for all the four categories of wage-earners incorporated in to the new unitary scheme, whereas before they were only used to finance the re-apportioning fund for salaried employees. The fact that the salaried employees maintained these annuity claims meant that they would get on average some 15,000 francs in addition to the pension "unitary" pension benefit, whereas manual workers with a full career on average only would received about 1,000 francs as annuity to supplement their regular pension benefit.

258 Later on these rate-increases would be revised. On 1 July 1970, the new rates were set at 14 per cent: 8 per cent to be paid by the employer and 6 per cent to be paid by the insured (see *De Bedrijfsgezondheid van het ACV 1970-1972 XXV Congress 23-25 November*, Brussels: ACV, 1972, p.273; see also J. ROMANS "Het Pensioenstelsel voor werknemers" in *CEPESS-Documenten* Vol.12, No.4, 1973, pp.7-40 (p.35). The contributions paid by the miners, which before the amalgamation amounted only 10.5 per cent, were also gradually raised. This increase was planned to take place between 1968 and 1972.

259 The latter would be increased to 13,200 francs per month from 1968 onwards, and to 15,000 francs from 1969 onwards.



increased annually by 4 per cent in addition to adjustments to fluctuations in the retail price index (260).

The law also increased the flat-rate presumed remuneration that was counted in the benefit formula for the period prior to 1955. For manual workers this substitute wage was set at 77,333 francs per year, and for salaried employees at 100,000 francs. This meant that even in the new general scheme, there still were substantially different benefit levels for the various categories of workers. As of January 1, 1968, the annual basic pension benefits would be as follows:

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Salaried Employees:	
couples:	75,000
single men:	63,240
single women:	60,000
Miners	
couples underground:	69,912
couples above ground:	58,000
singles underground:	54,900
singles above ground:	46,400
Manual Workers	
couples:	58,000
singles:	46,400

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The amalgamated scheme was to be administered by a new public institution, the National Office for Wage-Earners Pensions (*Rijksdienst voor Werknemerspensioenen* or RWP). The new institution took over the rights and obligations of the National Office for Workers Pensions (RAP), the National Pension Fund for Salaried Employees (NKBP), the National Pension Fund for Miners (NPM), and the Assistance and Welfare Fund for Seamen Sailing under the Belgian Flag (*Hulp en Voorzorgskas voor Zeevarenden onder Belgische Vlag*). The new institution was governed by a board composed on the basis of equal representation: 12 members represented the employers associations and 12 members represented the trade unions.

The 1967 reform in a way concluded the construction of the pension pillar of the postwar Belgian welfare state. During the remainder of the period under study, the scheme no longer underwent radical changes. During the 1970's and 1980's a number of measures were implemented to harmonize the various regulations of individual capitalisation and to facilitate

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260 See chapter VIII of the 1967 Act. See also "Belgium: Amalgamation of Four Employees Pension Schemes" in *International Social Security Review* Vol.21, No.3, 1968, p.443-444.



the mobility between the scheme for wage-earners and that of civil servants; and during the 1980's a number of measures were adopted to bring these two schemes closer to one another (261).

#### 4.3.4. *The Establishing of a Guaranteed Minimum Income for the Elderly.*

In the 1968 elections, the governing parties performed poorly, though not to the benefit of the leftists opposition parties. Instead it were the new regionalist parties seeing their share of the vote doubling to more than 15 per cent.

*Table 4.7. A Comparison of the 1965 and the 1968 Parliamentary Elections (and Number of Seats in the Chamber of Representatives):*

	1965	1968
Christian Democrats (262)	34.48% (77)	31.73% (69)
Socialists	28.28% (64)	27.99% (59)
Liberals	21.68% (48)	20.87% (47)
Communists	4.56% (6)	3.30% (5)
Volksunie	6.69% (12)	9.79% (20)
FDF & RW (263)	2.24% (5)	5.90% (12)

It took some 79 days after the March 31 elections before a new coalition between the Christian Democrats and the Socialists was formed. In the formation of this Government, a new procedure was introduced, whereby the forging of the Government was preceded by a detailed coalition agreement (*regeerakkoord*). This new procedure drastically reduced the importance of the government policy statement (*regeringsverklaring*), which came to be limited to

261 For example, in 1983 the contribution paid by civil servants was raised to 7.5 per cent, and even though formally this contribution was solely used for the financing of the survivors pension scheme, it had become as high as the contributions paid by employees for the statutory social security pension scheme for wage-earners.

262 In the 1968 elections, the Christian Democrats participated in the elections with three lists: the CVP in Flanders, the PSC in Wallonia and a cartel list under the leadership of former Prime Minister Paul Vanden Boeynants in Brussels.

263 The Front des Francophones (FDF) was a party defending the interests of the french-speaking population in Brussels, and advocating discriminatory policies against the Dutch-speaking minority in the capital. The Rassemblement Walloon was a Walloon Party seeking the establishing of a federal state and was in a way the Walloon functional equivalent of the Volksunie (for the 1965 elections, the score refers to the Front Walloon).



"a sort of comment on the coalition agreement" (264). This evolution continued the degradation of the powers of Parliament to the benefit of various pressure groups, in particular the political parties and the so-called social partners. The new Government was primarily active in implementing the first steps of reforming the unitary Belgian state into a country more based on federal principles (265). But the Government's policy statement also stressed the necessity to allow the least privileged to take part in social progress (266). The statement announced the introduction of a guaranteed minimum for all citizens (267).

For this purpose, the Minister of Social Welfare, Placide de Paepe, submitted in 1968 a legislative proposal (268) that would become the act establishing a guaranteed minimum for the elderly (269). The new benefit was to replace the supplements the State granted under anterior legislation to the so-called voluntary insured (*vrijwillig verzekerden*) (270). The arrangements

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264 Theo LUYKX and Marc PLATEL *Politieke Geschiedenis van België van 1944 tot 1985* Antwerpen: Kluwer, 1985, p.565.

265 See in particular the 1970 reform of the constitution and the establishing of the regional economic councils.

266 L. VICTOR "Het Gewaarborgd Inkomen voor Bejaarden" in *CEPESS Documenten* Vol.12, No.3, 1973, pp.91-98.

267 Already in 1965, the short-lived Christian Democratic-Socialist coalition Government under the leadership of Pierre Harmel (with the Socialist Hervé Brouhon as Minister of Social Welfare) had started to work on the introduction of this type of benefit (see Veldkamp, 1978, p.259).

268 "Wetsontwerp tot Instelling van een gewaarborgd inkomen voor bejaarden" in *Parlementaire Documenten Kamer van Volksvertegenwoordigers* Vol.134, 1968, No.1.

269 Act of 1 April 1969 "Wet tot instelling van een gewaarborgd inkomen voor bejaarden" in *Belgisch Staatsblad* 29 April 1969. Further secured by the Act of 7 August 1974 guaranteeing a general existential minimum ("Wet tot instelling van het recht op een bestaansminimum" in *Belgisch Staatsblad* 18 September 1974). Eligibility to either of those two benefits remained nevertheless subject to a means-test. Both "rights" contained a clause whereby the first degree relatives (spouse, parents, children) were obliged to support the claimants before they could invoke the "right" to the existential minimum. Moreover, the law also stipulated that able claimants had to be employed.

270 See in particular the Act 12 February 1963. For a discussion of this law see J. VERDEYEN "Het Pensioenstelsel der Vrijwillig Verzekeren" in *CEPESS-Documenten* Vol.5, No.6, 1966, pp.106-121. The 1963 scheme was entirely based on individual capitalisation, but also foresaw a transition period in which the State was to grant supplements to those who were too old to build up a sufficiently high annuity. This supplement was reduced according to year of birth and the extent to which the beneficiary had been able to obtain a benefit from one of the compulsory schemes.



under this legislation had turned out to be inadequate (271). Under the new law, the means-test was made stricter, but at the same time benefits were to be increased.

The new benefits were granted after claimants had reached the age of 60 (women) or 65 (men). Claimants had to be Belgian citizens, or possessing the nationality of one of the countries with which Belgium had concluded an agreement of reciprocity, or they had to be political refugees. Other persons were only eligible if they could prove to have been a resident for at least five years preceding the date of their claim. Benefits were only granted to claimants who actually resided in Belgium. The guaranteed minimum amounted to 30,000 francs per year for married men, and 20,000 francs for other persons. Claimants were subject to a means-test: the actual benefit equalled the amount of the guaranteed minimum reduced by income exceeding the following thresholds: 11,979 francs for "head of families" and 7,986 for others (272).

Even though the new regulations were quite innovative in introducing the legal right to an existential minimum, in fact the new benefits continued to have more affinities with social assistance than with social security. The new scheme remained residual, but in contrast to social assistance and charity, the granting of the benefit was no longer conditional upon an evaluation of social welfare commission, but a personal right of the claimant (273). Even if the scheme thus was no longer administered by the social welfare commissions (the heirs of the poor relief institutions of the 19th century), but by the institutions administering the statutory pension scheme, in practice things did not change that much. The following table demonstrates how the State simply re-directed its financial effort from granting supplements to granting

271 Because of many exemptions in the means-test, too many persons were granted benefits without really needing it, on the other there was a substantial number of persons who were unable to make the required contributions to the system of individual capitalisation.

272 A head of family was a married man living with his spouse, a divorced man whose divorced spouse obtained a part of the man's guaranteed minimum, as well as a man or a woman who had to support at least one child (only if the spouse or the child did not claim a guaranteed minimum income). In general it was recognised that the benefit levels of the "guaranteed minimum for elderly" were too low to allow to live a "dignified and human" life, and recipients often ended up at the local social welfare commissions (*openbare centra voor maatschappelijk welzijn* OCMW) to supplement the basic benefit by invoking the "right" to an existential minimum.

273 The general right to social assistance continued to exist and claimants of the guaranteed minimum still could apply for social assistance in addition to the new benefit.



the social minimum without on the whole drastically increasing the financial means for the program.

*Table 4.8. The Shift from State Subsidies for the Scheme for Voluntary Insured to the Scheme Granting a Guaranteed Minimum (in million francs) (274):*

	previous regulations for voluntary insured		Guaranteed Mi- nimum Income	Total Budget
	old-age	survivor		
1969	790.3	1.3	172.8	964.4
1970	188.6	0.6	995.0	1,184.2
1971	85.2	0.8	1,264.1	1,350.1
1972	53.6	0.6	1,341.7	1,395.9

The total number of beneficiaries even went down from 86,172 in 1971 to 68,784 in 1976 (275). In general one can argue that the 1969 act was seen as the first step towards establishing a general basic income., and that -- at least in the far future -- an abolishing of the means-test and an increase of the basic benefit to 60 or 75 per cent of the minimum wage was being considered by some to be desirable (276).

#### 4.4. The Consolidation of Christian Democratic Housing Policies.

During the 1950's, the Social Democrats made a few timid attempts to re-direct the housing policies initiated by the Christian Democrats. However, apart from some verbal commitments in Parliamentary debates, the Socialist Party seemed to have abandoned its pre-war preference for garden cities operated by tenants cooperatives. The Socialists now tried to reinforce the planning element in housing policies, and wanted to shift public funds from the promotion of home-ownership to the subsidising of council housing. However, in part because of the pressure of their Liberal coalition partner the

274 From Victor, 1973, p.96.

275 Herman DELEECK et.al. *De Sociale Zekerheid tussen Droom en Daad* Deventer: Van Loghum Slaterus, 1980, p.272.

276 See Victor, 1973, p.98. This article was published by the Research Centre of the Christian Democratic Party, though does not claim to reflect a policy statement of the party. The article argues that budget constraints make it unlikely that these goals would be realised in the near future. See also Deleeck, 1980, p.271.



Socialist had to moderate their attempts to re-focus policies. After all, the Christian Democratic model had more affinities with Liberalism than the Social Democratic project. The Liberals were not ready to endorse increased planning and the drastic extension of subsidised housing. They preferred the policies of subsidising the promotion of home-ownership so dear to the Christian Democrats. Ironically, it would be a coalition of Christian Democrats and Liberals that would, during the 1960's, implement measures aimed at reinforcing the planning element in Belgian housing policies. However, the sort of planning they realised barely resembled that demanded by the Social Democrats. It was planning stripped of any social objectives. Instead of subordinating the economy to social concerns, the planning of the 1960 subordinated the long-term planning of the State budget to the requirements of the capitalist economy.

#### 4.4.1. *The Failure of the Socialist Attempts to Re-Orient Housing Policies.*

As was argued, the Socialists had received the promotion of home-ownership with mixed feelings. After "their" Brunfaut Act had been watered down to such an extent that it hardly counterbalanced the effects of the De Taye scheme, the Social Democrats launched a new attempt to re-orient housing policies. In 1953, the Socialist deputy Jozef Vecauteren again criticised in Parliament the policy of promoting home-ownership. He argued that

"There are a number of preconditions in order to be able to build a house for oneself: one needs to be young, dispose over a certain capital, regular employment, one cannot become sick or experience misfortunes, and in addition one needs to dispose of the necessary sums to pay off the debt and furnish the house."  
(277)

The Christian Democrats' policy of promoting home-ownership thereby was doomed to fail when it came down to satisfy the needs of the majority of low income groups. Vercauteren once more called for a re-orienting of housing policies into the direction of promoting low-cost rental housing. When in 1954, the Socialist Edmond Leburton became Minister of Public Health and Family, he started to work on such a re-orientation. Leburton made eligibility for De Taye subsidies conditional upon taking a loan amounting to 60 per

277 See his intervention in Parliament reprinted in *Parlementaire Handelingen -- Kamer van Volksvertegenwoordigers* July 15, 1953, p.18.



cent of the value of the dwelling (278). Formally, the Social Democrats thereby hoped to limit the construction subsidies to the lower income groups. But for that purpose one could question the efficiency of the measures, as more fortunate candidates for a subsidy could always take up the 60 per cent loan and invest the means they disposed of somewhere else. In fact, Leburton and his comrades hoped to reduce the total number of subsidies and gradually liquidate the De Taye scheme. This underlying intention was well understood by the Christian Democrats who interpreted Leburton's policies as an attempt to stifle the promotion of home-ownership (279). Under pressure of their Liberal coalition partner, the Social Democrats were nevertheless compelled to renew the De Taye scheme (280).

Apart from attempting to curtail the policies of his Christian Democratic predecessors, Leburton also submitted a legislative proposal that would reinforce Social Democratic accents into the State's housing policies. In June 1955 Leburton submitted a legislative proposal which symbolically was to change the rather pejorative term "inexpensive houses" (*goedkope woning*) into "people's housing" (*volkswoningen*) and of the National Society for Inexpensive Housing (NMGW) into National Housing Society (*Nationale Huiveringsmaatschappij* or NHM). This change in terminology was not simply a formalist detail, but illustrated the intention to remove public housing from the residual sphere where it had been banned by Leburton's Catholic and Christian Democratic predecessors (281). Leburton's proposal set forth a more planned and coordinated approach of the housing problem. For that purpose

278 Royal Decree of 25 September 1954 "Koninklijk besluit tot wijziging van het Besluit van de Regent van 12 Augustus 1948, houdende vaststelling van de voorwaarden gesteld tot het verlenen van premieën om niet voor aanbouw door het privaat initiatief, van goedkope woningen en kleine landeigendommen zoals bij Koninklijke Besluiten van 30 September 1951 en 21 Mei 1953 gewijzigd werden" in *Belgisch Staatsblad* 30 September 1954.

279 See for example the article in the theoretical journal of the Christian labour movement: Eugène DE JONGHE "Het Sociaal Leven in 1955" in *De Gids op Maatschappelijk Gebied* Vol.47, No.6, 1956, pp.602-641 (in particular p.618).

280 See the Royal decree of 30 December 1955. The "elitist" public which benefitted from the De Taye scheme also included a substantial number of Liberal voters. In addition Goosens makes the argument that the scheme was also needed to support the Government's counter-cyclical policies to combat unemployment. The so-called "small expansion acts" (*kleine expansiewetten*) of the Liberal Minister of Economic Affairs relied upon the presumed stimulating effect of small and medium sized enterprises which played an important role in the construction of family houses (see Goosens, 1982, p.5.2.-50).

281 Edmond Leburton "Wetsontwerp tot wijziging en aanvulling van de wetgeving betreffende de huisvesting" in *Parlementaire Dokumenten - Kamer van Volksvertegenwoordigers* 1954-1955, Vol.325, No.1, 13 June 1955.



he wanted to establish a National Housing Institute (*Nationaal Instituut voor de Huisvesting*). In addition, Leburton intended to reinforce the directive power of the renamed NMH over the local licensed building societies in order to facilitate the implementation of national political guide-lines. Finally, the Minister proposed to increase the resources to finance collective facilities in public housing estates, and restructure the Government's subsidies in such a way as to assure tenure equality between rental housing and owner-occupation.

Goosens has summarised the Social Democratic accents of Leburton's proposal as follows (282):

- subject-oriented (people) instead of object-oriented (houses) subsidies (targeted to low-income groups;- a planned housing policy based on the systematic processing of nationally collected housing data;
- housing policies fully integrated into urban planning policies;
- tenure quality (the equal treatment of ownership and rental housing);
- the fostering of a full-fledged social life on the level of neighbourhoods.

The Christian Democrats strongly criticised what they considered to be the "excessive" etatism of Leburton's proposal (283). They were particularly upset with Leburton's intention to reduce the illustrious De Taye scheme to a banal article of a broader housing act, whereas the "Socialist" Brunfaut Act would continue to exist as a separate law. The Christian Democrats tried to torpedo Leburton's plans by depositing an amendment, designed by the postwar "master builder" De Taye himself. This amendement proposed to order a preparatory study from the NIH, and in anticipation of the results of this study, to prolong all existing housing laws (284). However, in the end the Minister succeeded in convincing Parliament to accept his proposal with only few minor amendments. The impact of the new law however was immediate: the number of building subsidies dropped from 20,500 in 1954 to 13,844 in 1955, and a mere 10,607 in 1955 and 10,155 in 1957 (285).

282 Goosens, 1983, p.26f.

283 De Jonge, 1956, pp.621-622.

284 Alfred De Taye "Amendement bij het wetsontwerp tot wijziging en aanvulling van de wetgeving betreffende de huisvesting" in *Parlementaire Debatten -- Kamer van Volksvertegenwoordigers* 1954-1955, Vol.325, No.4, 28 June 1955, pp.1-2.

285 Nationaal Instituut voor de Statistiek *Statistieken over Bouwnijverheid en Huisvesting* No.1, 1971, p.73 (Buyst, 1992, p.228).



Goosens offers less boastful data, when he breaks down governmental expenditure on housing: during the first year of Leburton's rule, there was indeed a significant drop in the funds reserved for the promotion of home-ownership (from 70 per cent in 1954 to 58 per cent in 1955), and a corresponding increase in the funds reserved for the promotion of social rental housing (up from 31 per cent in 1954 to 41 per cent in 1955). But this change was not sustained, and by 1967, the promotion of home-ownership again took more than 70 per cent of the State's housing budget, whereas the resources for social rental housing were again down to a mere 25 per cent (286). In other words, the drop in the absolute number of construction grants has probably more to do with a general drop in the budget for housing. This drop can be related to the budgetary constraints the Government faced in the aftermath of the Korean war and the large sums that were swallowed by the infrastructure works in preparation of the world exhibition that was to take place in Brussels in 1958 (287).

If in terms of re-focussing housing policy towards the social rental sector Leburton's rule was far from unambiguously successful, it is even more surprising that during his four year rule the Social Democrats failed to pass the legislative orders necessary to implement the most "Socialist" articles of the Brunfaut Act -- in particular article 8 concerning the construction of facilities of social or collective utility. It is through this article that Brunfaut had hoped to revive the 1920's idea of the garden city and to promote a fully fledged community life. In effect, because of the lack of implementing orders, this notorious article 8 had remained a dead letter. It is difficult to understand the passivity of the Socialist Minister in this respect. It may in part be related to the social and economic concessions, the Socialist were forced to make in order to sustain their anti-clerical coalition with the Liberals; or it may be related to sheer sloppiness of the person of the Minister. Either explanation seems to insufficient.

A third possible explanation might be related to the changes within the Socialist Party to the, where technocratic adherents of a production logic had gained the upper hand over those seeking the creation of a social living environment. For the former, the sheer volume of construction was more

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286 Goosens, 1982, table 44.

287 Herman DELEECK "Het Sociaal Leven in 1957" in *De Gids op Maatschappelijk Gebied* Vol.49, No.7-8, 1958, pp.673-705 (p.703).



important than the method of financing and the social dimension of the newly built estates.

When in 1958 the Socialist-Liberal coalition was replaced by a homogeneous Catholic Government, the original format of the De Taye scheme was immediately reinstated by abolishing the requirement to take up a loan of 60 per cent of the value of the dwelling to built or to be constructed (288). However, the Christian Democrats did not really practice a policy of revanchism, and in fact it seems to be the case that after 1958 the Social and Christian Democrats concluded a tacit pact in the spirit of the pacification around the 1950's controversy on educational policies. The fortunes of the De Taye and the Brunfaut Act were linked. First both schemes were provisionally prolonged in tandem (289), and in 1964 the "Labourist" coalition of Christian Democrats and Socialists finally adopted a law whereby the two schemes were made a permanent part of Belgian housing policies (290).

#### 4.4.2. *Planning Yes, but Socialist?*

Leburton had at least been partly successful in introducing a more planned housing policy, and this aspect of his policy was not reversed by the subsequent non-Socialist governments. More in general, the 1960's saw the final acceptance by Belgian capitalism of a more interventionist State (291). However, the sort of planning that came into being was only marginally related to the demands the Social Democrats had formulated for the first time in 1935 with Hendrik De Man's Labour Plan. Whereas Social Democrats had hoped to subordinate the economy through planning to social concerns, the so-called economic programming (*economische programmatie*) of the 1960's

288 Royal Decree of 1 September 1958 "Koninklijk Besluit tot wijziging van het besluit van de Regent van 12 augustus 1948, houdende vaststelling van voorwaarde tot het vervullen van premien om met aanbouw, door het privaat initiatief, van volkswoningen en van kleine landeigendommen" in *Belgisch Staatsblad* 6 September 1958.

289 Both the scheme of the De Taye Act and of the Brunfaut Act were initially only intended for a limited period. In 1956 they had both been extended till the end of 1960 by the compromise around Leburton's housing act. Then in 1962 and in 1963 both schemes were again provisionally prolonged respectively by the Act of 26 January 1962; the act of 7 June 1963.

290 It is in this context that one can also interpret the introduction in 1960 of an income limit in the De Taye scheme itself by the Christian Democratic-Liberal coalition (see Speltinckx, 1980, p.48).

291 During the first decade after the war, the Belgian state already had intervened in the economy, but this intervention had been limited to subsidies to decaying industries (such as the mines in Wallonia) on demand of Belgian capitalism. But public authorities did not obtain any control in exchange for these financial injections (see André MOMMEN "État, Accumulation du Capital et la Lutte des Classes de 1945 à 1960" in *Contradictions* No.23-24, 1980, pp.217-239).



reversed this hierarchy by subordinating the long-term planning of the State budget to the requirements of the economy.

"les diverses structures de la planification et de la programmation n'entravent nullement la liberté d'action des milieux industriels. Au contraire, elles leurs permettent un meilleur contrôle de la politique d'investissement de l'Etat car le Plan se limite à n'être qu'un «planning des dépenses des pouvoirs publics»." (292)

In terms of housing, this sort of economic programming led to a renewed subordination of social housing policy to economic goals. Illustrative of this subordination are the what one could call "Stalinist" housing policies of the Christian Democratic-Liberal coalition under the leadership of Paul Vanden Boeynants. In 1967, this Government passed a law whereby the two national housing associations were to built housing reserved for the labour force of expanding industries (293). The new law proclaimed that "a certain number" of the dwellings of the housing associations was to be reserved for employees of enterprises in expanding industries, even if these employees did not conform to the eligibility criteria anterior housing laws prescribed. The 1967 Act was implemented when the Government announced the construction of 500 dwellings for the work-force of the new Steel complex SIDMAR in Zelzate (294).

#### 4.4.3. Rapid Expansion of Owner-Occupation.

With the adoption of the Leburton Act of 1956 and the conclusion of the tacit "Housing Pact"(295) during the early 1960's the edifice of a more permanent compromise on housing policy had been erected, and the main traits of the regulatory apparatus of the Belgium post-war housing system

292 Michel QUEVIT *Les Causes du déclin Wallon. L'Influence du Pouvoir Politique et des Groupes Financiers sur le Développement Régional* Brussels: Vie Ouvrière, 1978, p.142.

293 Act of 3 July 1967 in *Belgisch Staatsblad* 21 July 1967. Two months earlier, this Government had reinforced the executive's control over public and semi-public corporations (see Royal Decree No.4 of 18 April 1967, and No.88 of 11 November 1967).

294 See Royal Decree of 27 December 1968 in *Belgisch Staatsblad* 15 January 1968; and Nationale Maatschappij voor Huisvesting *Jaarverslag* Brussels: NMH, 1969, pp.37-38. 150 NMH dwellings were constructed in Zelzate and 350 in Wachetebeke (see Nationale Huisvestingsmaatschappij *Jaarverslag* 1969 p.14, 37-38).

295 The term is taken from Goosens, 1982, part 3, p.43.



had been consolidated (296). Even more than the old-age pensions system, the compromise on housing bore the imprint of a Christian Democratic design. The postwar housing system contained a structural bias in favour of the promotion of home-ownership. The results of this bias are clearly illustrated by the steady increase in owner-occupation: whereas in 1947, owner-occupation only represented 39 per cent of all tenure, by 1960 its share had risen to 50 per cent. It reached 55 per cent in 1970 and even 61 per cent in 1977 (297).

296 The only other important addition to this edifice was the adoption of the law protecting future owners. This so-called Breyne Act was adopted on 9 July 1970 (published in *Belgisch Staatsblad* 11 September 1971), after a big scandal in which a large group of future owners became the victims of the fraudulent bankruptcy of the private building and real estate company ETRIMO. For a discussion of the law see Speltinckx, 1980, p.27-28. In 1970, the Government also issued a Housing Code (*Huisvestingscode*) which coordinated all the existing housing laws (See Royal Decree of 10 December 1970 (in *Belgisch Staatsblad* 17 December 1970), corroborated by the Act of 2 July 1971 (in *Belgisch Staatsblad* 6 August 1971). The fact that the law did nothing more than consolidate the existing compromise is illustrated by the fact that Parliament accepted the law without a single minute of discussion (see Goosens, part 3, p.48).

297 De Ridder and Minon, 1979, p.16. In neighbouring countries the comparable figure was far lower: in 1970 in France it amounted to 45 per cent, in Germany only to 36 per cent and in the Netherlands even as little as 35 per cent.



## The Limits of Christian Democratic Solidaristic Social Policy.

This section will not elaborate on the welfare state retrenchment policies of the late 1970's and early 1980's (298). Rather, it will focuss on the neo-Liberal germs built in to the scheme as it was consolidated during the second half of the 1950's and during the 1960's. It will be argued that by refraining from legislating a publicly controlled comprehensive second pillar to the pension system, the market was not crowded out and existing privately controlled extra-statutory pension schemes experienced a rapid expansion.

The second half of this final part examines the impact of the gradual transformation of the unitary state into a federal one. It will be argued that -- at least during the period under study -- this institutional reform did not at all affect social security. The reform however fundamentally altered the framework within which housing policies were to be realised. Even though it is likely that, in the future, substantial policy divergences will occur and that housing policies will take a different turn in the three regions of the new federal state, it seems to be too early to make a balance of such substantial policy shifts.

### 5.1. From Subsidiary Insurer in the Statutory Scheme to Complementary Insurer in the Extra-Statutory Scheme: the Continued Existence of the Privileges for Salaried Employees.

After the 1967 reform the pension system appeared to have been consolidated. The fundamental political disagreements which first produced a stalemate, and subsequently had led to a sequence of reforms and counter-

298 These policies affected in particular the scheme for civil servants. Of particular importance are the so-called "programme laws" (*programma-wetten*) which combined a series of measures to keep the State's budget under control. Another typical example was the Act of 5 August 1978 on Economic and Budgetary Reforms which curtailed high pensions. For a discussion see Philippe DE FOOZ 5 Aout 1978: *Loi de Reformes Economiques et Budgetaires Pensions du Secteur Public* Rapport de stage Administration des Pensions, Brussels: Ministry of Finance, 1979; and Deleuze, 1983, pp.55-60.



reforms, disappeared from the political agenda. The changes to the statutory scheme, that were implemented during the years following the oil crisis, seem to have been less inspired by political ideas than by budgetary constraints. With respect to old-age pensions, the programmes of the two main protagonist of the postwar conflict, the Social Democrats and the Christian Democrats, had to a large extent converged (299). The changes in the statutory scheme that were implemented during the last two decades of the period under study, contained only marginal technical adjustments, and did not bear the imprint of one or the other ideological commitment (300).

However at the level of extra-statutory arrangements more important changes were on the agenda which contained a potential for important political conflicts. Whereas in several other European countries, legislators had developed a detailed framework for a comprehensive second pillar in addition to the first pillar of the statutory pension scheme, in Belgium such a framework, if it existed at all, was still only in an embryonic stage.

Supplementary pension arrangements in Belgium, by and large had remained the perquisite of privileged segments of the category of salaried employees. During the postwar decades, the extra-statutory pension arrangements had increasingly become a way to circumvent redistributive income taxes:

"les pensions extra-légales bénéficient d'un traitement fiscal favorable à l'égard du salaire ordinaire, tant dans le chef de l'employeur que du travailleur, que ce soit au moment du versement des primes ou lors du paiement des prestations. De même, on exclut traditionnellement la protection de la base de calcul des cotisations de sécurité sociale." (301)

299 For an analysis see Philippe DEFEYT & Pierre REMAN "Les Partis Politique Face à la Réforme de la Sécurité Sociale" in *Courrier Hebdomadaire du CRISP* No.1041-1042, 25 May 1984. In general, one can argue that during the second half of 1960's, the so-called community problems had become the divisive element in Belgian politics, overruling all other policy issues.

300 The obsession with budgetary constraints can of course be related to the influence of orthodox liberalism which during the 1970's started to make its come back presenting old ideas as "new" solutions to the economic and budgetary problems of West European welfare states. This rise of neo-liberalism brought the expansion of the welfare state in general and of the statutory pension scheme in particular to a standstill, just as the old 19th century *laissez-faire* liberalism had been the main cause for the relative late introduction of compulsory insurance in the country.

301 Pascale VIELLE *Aspects Juridiques de la Prévoyance Vieillesse en Europe* June Paper Department of Law, San Domenico di Fiesole: European University Institute, 1990, p.60. See also D. MASSARD *Les Pensions Extra-Légales* Brussels: Ced Samson, 1987, pp.25-33.



It is therefore surprising that the political parties had virtually nothing to say on the subject of complementary pensions. One can indeed wonder whether this is due to political prudence or whether it implied an implicit approval (302).

One factor, which might have contributed to this absence of debate in the political sphere, can be related to the fact that, in Belgium, extra-statutory pensions traditionally had been the competence of neo-corporatist consultation between the so-called the social partners, i.e. the employer associations and the trade unions. It is in these circles that one can find more pronounced positions on the subject of extra-statutory pension schemes. Whereas both the Socialist *and* the Christian trade union federations opposed the expansion of the second pillar, employers associations traditionally favoured their development (303). The trade unions, ABVV and ACW, wanted to limit the development of extra-statutory pension schemes by maintaining an important link between contributions and benefits in the statutory schemes, by strictly regulating complementary insurance schemes as to prevent them from undermining the principle of national solidarity, and by introducing a special tax levied on extra-statutory benefits (thereby reducing, if not terminating, the favourable fiscal treatment of extra-statutory schemes). The national employers association, *Verbond der Belgische Ondernemers* (VBO) (304), and the associations of self-employed, on the other hand, wanted to see the development of extra-statutory schemes to occur in pair with a limitation of statutory social protection. The other main employers' association, the *Vlaams Economisch Verbond* (VEV), went even further by advocating a full-streched privatisation of social security, limiting the role of the public system to providing a minimal protection by means of a system of negative income taxes (305). Within the system proposed by the VEV, extra-statutory provisions were to become the crux of the new old-age pensions system.

The fact that the conception of the regulatory framework for extra-statutory schemes occurred largely outside the parliamentary sphere, makes it difficult to give a systematic overview of the political concomitants of these

302 Feyt & Reman, 1984, p.49.

303 For an analysis of the respective positions see Philippe DEFEYT & Pierre REMAN "Les Interlocuteurs Sociaux Face à la Réforme de la Sécurité Sociale" in *Courrier Hebdomadaire du CRISP* No.1103-1104, 20 December 1985.

304 The VBO succeeded the VBN as the main national employers association.

305 See the report of the congress the VEV organised on 11 March 1980 VEV *De Hervorming van de Sociale Zekerheid* Brussels (CHECK): 1980; see also the reaction of the VEV to the Dillemans Report on reforming the social security system in VEV *Snelberichten* No.22, 12 June 1985.



developments. Such an overview would require a detailed examination of the genesis of the Collective Labour Accords (*Collectieve Arbeidsovereenkomsten* or CAO's) relevant to this subject matter. Such an inquiry goes well beyond the scope of this study and will require additional future research. The following paragraphs therefore will only offer little more than an introduction to the complicated web of extra-statutory pensions arrangements.

#### 5.1.1. *Individual Capitalisation in the Statutory Pensions Scheme for Salaried Employees.*

Even if after the amalgamation of the various pensions schemes for wage-earners, and the technique of individual capitalisation had been completely abandoned -- at least as far as the statutory pension scheme was concerned -- the fact that the legislator was committed to honour previously granted privileges had meant that the various existing schemes for individual capitalisation were to continue to exist until they would dissolve themselves because those who had contributed to them (up to 1967) would have died (306).

It were in particular the salaried employees who still enjoyed important individually capitalised annuities. The technique had always been more important in their scheme, compared to that of manual workers. In 1957, the Social Democrats indeed had attempted to abolish the technique for salaried employees too, but the 1960 reform had brought it back to the foreground (307). The pension system thus was left with two important schemes of individual capitalisation: one accumulating contributions made under the 1930 Act, and one accruing contributions made under the 1960 Act. There were two public insurance carriers, and 14 private carriers. In 1967, there existed a total of 1,370,045 individually capitalised accounts in the

306 Individual capitalisation was definitively abandoned for manual workers in 1953, for seamen in 1955, for miners in 1957 and for salaried employees in 1967.

307 In the other schemes, individual capitalisation also had left a legacy, though on the whole its relative importance was of a rather limited nature. In 1971, the Government attempted to harmonise the regulations governing the various schemes of individual capitalisation. For a brief discussion of this attempt see J. DENAEYER "De Harmonisering van de Kapitalisatiestelsels" in *Belgisch Tijdschrift voor Sociale Zekerheid* Vol.13, No.8, 1971, pp.863-866.



scheme for salaried employees (308); and in 1970 the remaining open accounts could be broken down as follows (309):

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308 Nationale Kas der Bediendenpensioenen *Verslag over het Dienstjaar 1967* Brussels: NKBP, 1968, p.7.

309 The following tables are based on data from archival sources of the Actuarial Service of the Ministry of Labour and Social Welfare in Brussels. The reported data should be interpreted with caution, as the information does not seem to be very reliable. Even though the Ministry was required by law to exercise control on the insurance carriers, the figures for various years are often conflicting and lack consistency. Most archival material older than 20 years at the time of writing, had been destroyed. The subsidiary insurers were even less capable or willing to provide the information of interests here. They too argued -- if they replied at all to requests for information -- that they were only able to provide figures on the number of affiliates who had not retired at the time of writing, i.e. in 1994, or that data more than 20 years old were no longer available. A notable exception was the mutual benefit society l'Intégrale which promptly provided a complete times-series of the evolution of the number of its affiliates going back to 1939.

The annual reports of the NKBP, the public insurance carrier which since 1957 also operated as a "central fund" administering an account for all salaried employees -- even those insured with a private subsidiary carrier, only provide fragmented information which mentions only the total number of accounts and a breakdown of *new* accounts between those employees who choose the NKBP and those who opted for another carrier. On the basis of these data one can identify a constant increase of the relative number of insured opting for the NKBP as their insurance carrier.



Table 4.9. *The Number of Individually Capitalised Accounts in 1970 and the Corresponding Mathematical Reserves (Expressed in Million Francs) in the Statutory Scheme for Salaried Employees*

	1930 Act		1960 Act	
	accounts	reserves	accounts	reserves
<i>Public Carriers</i>	66.9%	61.6%		72.3%
NKBP	374,623	10,911	(310)	9,914
ASLK	246,022	6,774	160,612	2,324
<i>Private Carriers</i>	33.1%	38.4%		27.7%
Non-Profit (311)	51,796	1,938	50,350	876
Commercial (312)	255,265	9,063	236,208	3,803

In the same year, these carriers paid out a total of 401,526 annuities which could be broken down as follows:

Table 4.10. *The Number of Individually Capitalised Annuities Paid out in 1970 by the Statutory Scheme for Salaried Employees.*

	1930 Act	1960 Act
<i>Public Carriers</i>	73.3%	56.6%
NKBP	58,169	22,426
ASLK	96,208	11,792
<i>Private Carriers</i>	26.7%	43.4%
Non-Profit	10,194	5,319
Commercial	46,145	20,926

310 This figure is not available. If one makes an extrapolation on the basis of the mathematical reserves of the NKBP and the average amount reserved per account for the other carriers one would arrive at some 600,000 accounts for the NKBP.

311 This category includes mutual benefit funds (*gemeenschappelijke verzekeringskassen*), cooperatives, and non-profit corporations (*verenigingen zonder winstbejag*) i.e. l'Intégrale, De Eerste Gemeenschappelijke Verzekeringskas, Notariat Belge, Fédérale de Belgique, De Toekomst van de Journalist, and the Patronale Kas.

312 i.e. Assubel (Caisse Nationale Belge d'Assurance), Assurance Générales, La Royale Belge, Assurantie Belgische van de Boerenbond, Urbaine, Noordstar en Boerhaave, Winterthur, Belgische Arend, Union et Prévoyance. Formally these carriers are also had the status of mutual benefit fund (*gemeenschappelijke verzekeringskas*), but as they were owned by commercial insurance companies their activities did not conform to any of the social goals normally associated with these funds (in particular administration by means of equal representation and the distribution of all profits to the insured) (see Lewalle, 1986, p.48).



One could wonder to whether or not the re-introduction of individual capitalisation was to benefit of private carriers, as, during the 1950's, it had been in particular the commercial insurance companies who had been opposing the re-organisation the administration of the scheme for salaried employees into single semi-public institution, the NKBP. However, it is not possible to come to a firm conclusion on the basis of the data represented in the two tables. Judging on the magnitude of the reserves one would be tempted to argue that it was primarily the semi-public NKBP which benefited from the re-introduction of individual capitalisation. However, if one considers the number of annuities paid out in 1970 as part of the 1960 scheme, the private insurance carriers seem to have been the main beneficiaries of the reform. Both tables though seem to suggest that the other semi-public carrier, the ASLK, at any rate did far worse in attracting new clients under the 1960 regulations.

#### *5.1.2. Individual Capitalisation in the Extra-Statutory Pensions Schemes for Salaried Employees.*

The method of individual capitalisation is used in three types of extra-statutory pension schemes. The first two types, the mutual benefit funds and the so-called group insurances, are part of what one could call the nascent second pillar to the Belgian pension system. This pillar is only embryonic, in that it only covers a minority of the population. The third type of extra-statutory scheme which is based on individual capitalisation, the individual life insurances, can be considered to be part of what is often called the third pillar in a pension system. One can question to what extent individual life insurances should be considered to be part of the architecture of the welfare state. Their completely individualised nature makes them alien to a system which is supposed to be the institutional expression of social solidarity. This section nevertheless briefly elaborates on these individualised arrangements as they have been promoted by the representatives of neo-liberalism as an alternative to the solidaristic welfare state.

*Mutual Benefit Funds:* In addition to the system of individual capitalisation for the statutory scheme, the 1930 and 1957 Acts also allowed for contributions to be made to a supplementary scheme administered by the same 17 insurance carriers. These contributions could be made by the employees or their employers and were administered under the same conditions and rules as



those in force in the statutory scheme (313). In 1970 there existed a total of 81,219 accounts in this supplementary scheme.

After the amalgamation of the wage-earners schemes in 1967, the 17 subsidiary insurance carriers saw their license to offer supplementary insurance plans renewed by the decree of 14 May 1969 (314). Since the 1957 reform of the scheme for salaried employees, the State no longer licenses new mutual benefit funds (315). Whereas most of the 17 existing insurance carriers did not further exploit the possibilities offered by the 1969 decree, one of the three "genuine" mutual benefit fund, the mutual benefit society l'Intégrale, launched an active recruitment policy (316). This recruitment policy was effective indeed: by 1970, this insurance carrier alone administered 47 per cent of the total number of this type of supplementary accounts, and even as much as 84 per cent of those concluded under the regulations introduced by the 1957 Act (317). By 1984 l'Intégrale controlled more than three quarters of this specific segment of the pension insurance market, with most of the remaining market share controlled by the two semi-public institutions: the General Savings and Annuity Fund (ASLK) and the National Office for Pensions (the *Rijksdienst voor Werknemerspensioenen*, RWP, the semi-governmental administration that had taken over the responsibilities of the NKBP) (318). One can only speculate why the commercial insurance companies showed so little interest for this type of insurance. A possible explanation is that the Belgian insurance market is rather oligopolistic and that it collectively

313 Rijksdienst voor Pensioenen – Directie Renten *Syllabus* Brussels: Rijksdienst voor Pensioenen, 1989, p.14-15.

314 Royal Decree of 14 May 1969 CHECK *Belgisch Staatsblad*

315 Pascale VEILLE *Note de Travail en vue de la première réunion du groupe d'étude sur l'adaptation du statut des caisses communes à l'évolution des pensions complémentaires de vieillesse* Brussels, 1991, p.10.

316 L'Intégrale is a mutual benefit society only operating in the sector of pensions, which was established in 1925 after the merger of various pension funds that were active in the coal and steel industry around the city of Liège.

317 The Statistics of the Ministry make a distinction between accounts ruled by the 1930 Act and those concluded under the 1957 Act up to 1960 (which is referred to as "old rates" and those concluded after 1960 (called "new rate").

318 Lewalle, 1986, p.48. The only fund, owned by a commercial insurance company to maintain some activity in this sector was the fund of the Royal Belge, but compared to the activities of l'Intégrale, the market share of the Royal Belge was insignificant: in 1984, l'Intégrale collected 639 million francs in contributions, the Royal Belge only 15 million francs. In the same year the mathematical reserves of l'Intégrale amounted to some 6,485 million francs, whereas those of the Royal Belge were only 627 million francs.



decided that the mutual benefit fund formula was uninteresting as it was the most regulated of the various formats for extra-statutory pensions. The insurance companies might have preferred to promote other forms in which they could alone set the rules.

*Group Insurances:* In addition to the supplementary schemes incorporated into the statutory scheme, there developed other non-statutory schemes for supplementary pension insurance. Particular mention should be made in this context of the so-called "group insurances" (*groepsverzekeringen*). These schemes started to develop in Belgium during the 1920's, and became subject to legislation in 1930 (319). As was argued above, this sort of collective life insurance experienced a rapid expansion during the Second World War.

Comprehensive information on these schemes is not available as they are generally not considered to be part of the social security system as such. They are not sanctioned by statutory regulations, but rather are concluded under the initiative of the employer with a commercial insurance company. The main goal of the employers was to stabilise and motivate their work-force by granting supplementary pension benefits. Initially these privileges were only organised for employees in executive positions, but after a stagnation of the number of contracts during the late 1940's and early 1950' (320), group insurances experienced a steady expansion and also came to be granted to lower ranked segments of the class of salaried employees. By 1968, some 400,000 employees benefited from a supplementary pension contract in a group insurance scheme (321). In 1993, it was estimated that some 620,000 wage-earners in the private sector were affiliated to a group insurance (322). In addition there were some 15,000 civil servants benefiting from such an

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319 See the Act of 25 June 1930 regulating life-insurances "Wet betreffende de controle op de levensverzekeringen" in *Belgisch Staatsblad* 18 July 1930. They were modelled after collective insurance contracts first concluded in the Netherlands during the late 19th century.

320 In 1952, there were some 55,000 group insurance contracts for old-age and another 150,000 policies to insure against pre-mature death (Trochet, 1953, p.53).

321 A. DELPÉRÉE "De Problematiek van de Belgische Regeling van de Werknemerspensioenen" in *Belgisch Tijdschrift voor Sociale Zekerheid* Vol.25 No.2, 1974, pp.107-152 (p.122).

322 Philip NEYT *De Drie Pensioenpijlers* Antwerpen: UFSIA, 1993, p.24. These figures are based on an extrapolation of a survey organised in collaboration with the Control Administration of Insurances with the 10 largest commercial insurance companies. Neyt claims that in 1993, some 11,000 enterprises were affiliated to a group insurance, with another 600 enterprises being affiliated to a mutual benefit society (Act of 14 May 1969).



insurance contract, and some 16,000 self-employed were affiliated to a similar collective pension arrangement.

In 1981 there were about 60 private insurance companies licensed to offer group insurances. The insurance companies kept a more than 300,000 million francs in reserve to be able to meet their contractual obligations. However, most contracts were concluded by some 10 companies controlling more than 75 per cent of total turn-over (323). By 1986, the concentration had proceeded that far that as little as three companies controlled two thirds of the total collective life insurance market (324).

There are two types of group insurances. In the first type, the so-called *defined contribution* system, the contributions are determined in the insurance contract, and the benefits are granted in proportion to the contributions made. In the second type, the so-called *defined benefit* system, the insurance contract stipulates the replacement rate (for example, 75 per cent of the last wage) and contributions are regularly adjusted on the basis of actuarial calculations, in order to be able to reach this goal. In both cases, the reserves are individually capitalised. The tax exemptions that were introduced in 1944 were somehow restricted in 1984, when a Government facing a fiscal crisis, decided to limit the deduction to contributions aimed at establishing an extra-statutory pension of at most 80 per cent of the last annual earnings. It was generally recognised that employers used the group insurance plans to offer their higher paid workers an additional remuneration upon which they did not have to pay social security contributions and which up to then received a very favourable treatment by the treasury. In that respect they did not behave any different from their colleagues, who during the war used these plans to avoid to pay taxes to the occupying regime. However, even after the introduction of these restrictions, the tax exemptions remained largely to the benefit of high income groups: for example, in 1982, the average exemption for persons earning between 500,000 and 750,000 francs per year was on average 3,544 francs (representing little over 8 per cent of the total tax exemptions granted for group insurances), whereas persons earning between 1,500,000 and 5,000,000 francs enjoyed a tax advantage of on average 44,052 francs

323 D. VAN BERLAER "Standpunt van de Beroepsvereniging der Verzekeringsondernemingen in België" in S. FREDERICQ & J. ROGGE, eds. *Het onder Controle Brengen van de Privé Pensioenfondsen in België* Antwerpen: Kluwer, 1982, pp.163-173.

324 Lewalle, 1986, p.35. The companies in question were Assurances Générale, Royal Belge and Assubel.



(representing some 42 per cent of the total sum the State lost because of tax exemptions for the scheme) (325).

*Individual Life Insurance Contracts:* A third type of individually capitalised supplementary pensions are the individual life insurances concluded with the ASLK (326) or with one of the licensed insurance companies (327). However in view of the complete individualised nature of these arrangements, they hardly qualify to be included in a discussion of social security (328). These individual plans nevertheless do represent a lucrative business for the insurance industry. In 1984, there were some 925,000 individual life insurance contracts. In 1985, life insurances were responsible for some 27.5 per cent of the turn over of the industry and thus came only second to the sector of car insurance (329). Life insurances also enjoy important tax exemptions: up to a certain amount they are completely tax-deductible, beyond this threshold, only a part of the contributions are taken into account, and above a certain threshold there are no exemptions at all. Like was the case with group insurances, the tax-exemptions for individual life insurances are much to the advantage of higher income groups (330).

325 Data from Lewalle, 1986, p.41 and M. FRANK "Les dépenses fiscales et le budget de 1986" in *Bulletin de Documentation du Ministère des Finances* Brussels, July / August 1985, p.1.

326 See in particular the act regulating voluntary pension insurance "Wet van 12 februari 1963 betreffende de inrichting van een ouderdoms- en overlevingspensioen ten behoeve van de vrijwillig verzekerden" in *Belgisch Staatsblad* 2 March 1963.

327 See in particular the Royal Decree of 14 May 1969 "Koninklijk Besluit betreffende de toekenning van buitenwettelijke voordelen aan de werknemers bedoeld bij koninklijk besluit Nr.50 van 24 oktober 1967 betreffende het rust en overlevingspensioen voor werknemers" in *Belgisch Staatsblad* 10 June 1967.

328 The concrete conditions are not specified by legislation or collective agreements, but by purely individualised contracts.

329 "L'Assurance en Belgique. Points de repères" in *Cahiers de l'Assurance* Brussels: UPEA, 1985, p.8. Part of the popularity of life insurance can attributed to the fact that concluding a life insurance contract is often a requirement to obtain a mortgage loan. In a survey carried out in 1981, more than 35 per cent of the respondents said that they concluded a life insurance contract because it was a requirement to obtain a mortgage loan (see INUSOP *Attitudes et opinions de la population à l'égard de la souscription d'assurance-vie* Brussels: ULB, May 1981, p.42.

330 In 1982, of those who earned between 500,000 and 750,000 francs per year, only 22 per cent benefited from tax-deductions for their life insurance and on average their advantage amounted to 5,455 francs. On the other hand, of those earning between 1,500,000 and 5,000,000 francs per year who concluded a life insurance, 47 per cent benefited from a tax advantage which amounted on average 20,897 francs (data from Lewalle, 1986, p.13).



In 1986, the Government of Christian Democrats and Liberals tried to promote these sort of individualist pensions arrangements by creating the so-called "pensions savings" plans (*pensioensparen*) (331). These plans were to encourage capital investment by granting tax exemptions to the purchase of shares in enterprises or in investment funds, or to the deposits to an individual savings account in a bank or an insurance company, if the savings are used for at least 30 per cent to buy share in Belgian enterprises. Such accounts had to be kept open for at least 10 years. The only tax on this form of income amounts to the same 16.5 per cent beneficiaries of a group insurance pay when they take up their benefits.

### 5.1.3. *Collectively Capitalised Extra-Statutory Pensions Schemes for Salaried Employees: the Enterprise-Based Pension Funds.*

Another important form of supplementary pensions for salaried employees are the enterprise-based pension funds (*bedrijfspensioenfondsen*). Initially, these funds had a wide spectre of formats: they could be organised per sector or per enterprise using the technique of re-apportioning (332). Alternatively they could be organised as autonomous non-profit corporations (*vereniging zonder winstbejag*) and use the method of collective capitalisation (333). Until 1975, the most common format though was that of the so-called non-autonomous pension funds (the so-called employers' funds or *patronale kassen*). These funds did not have reserves which were separate from the assets of the enterprise. There were two types of non-autonomous funds. In the first type, the enterprise booked the supplementary pensions benefits as part of its operating costs (334). In the second type, the enterprise wrote in its

331 The law provided for three types of savings plans: one could participate in a collective savings plan of a bank, one could administer one's own savings through an individual savings account, or one could participate in a plan of an insurance company.

332 Collective agreements regulating such a scheme were for instance concluded in the gas and electricity sector. These sectoral agreements were governed by the legislation on the so-called "funds for existential security" (*fondsen voor bestaanszekerheid*). See in particular the Act of 7 January 1958 "Wet betreffende de fondsen voor bestaanszekerheid" in *Belgisch Staatsblad* 7 February, 1958. The 1958 act prescribed that these funds were to be administered through equal representation.

333 Delpérée, 1974, p.121. Toward the end of the period under study, the book-reserve system was prohibited by law (see Winfried SCHMÄL *The Future of Basic and Supplementary Pension Schemes in the European Community -- 1992 and beyond* Baden-Baden: Nomos, 1991, p.208).

334 Technically this type came close to applying a form of re-apportioning, however, the risks associated with this method applied to the small solidaristic universe of an enterprise were far



pension obligations into the passive of its balance under the heading of its own assets (*eigen vermogen*). In 1975, a law was adopted which made non-autonomous pension funds illegal. Existing funds either had to adopt the format of a non-profit corporation or of a mutual benefit fund (335).

But even after this reform, legislation only provided a general framework for pension funds. More detailed regulations were not the work of the legislator. In the case of sector-specific arrangements (the funds for existential security), these conditions continued to be specified by collective agreements between employers and unions. In the case of enterprise-specific arrangements (autonomous pension funds), the employers alone continued to determine the rules of the game.

The sort of solidarity generated by these sectoral and enterprise-based pension funds differs depending on their format. In the case of sectoral pension funds, one can speak of a solidarity between persons employed on the same sector of the economy. Autonomous enterprise-based pension funds can be considered the institutional expression of a solidarity between employees of the same enterprise. Finally the non-autonomous pension funds that used the book reserve system reflected a solidarity between the employers of today and those of tomorrow.

In most cases one can question to what extent the solidaristic relations generated by pension funds give birth to true social rights, in view of the many strings attached to the benefits. Even more than was the case with the so-called group insurances, employers can easily impose conditions upon eligibility. These conditions are primarily intended to use the pension funds as a tool to foster the loyalty of the employees, to limit labour turn over, to give additional work-incentives, or to lure away qualified employees from competing enterprises by offering them advantages which are only marginally taxed. However, as Pascale Veille has argued, the enterprise-based pension funds should not be considered to be a modern form of employer-paternalism:

"Loin de représenter une forme contemporaine du paternalisme du chef d'entreprise, ils constituent ... davantage un élément d'une politique de concurrence permettant aux employeurs, en se fondant, d'une part, sur le discrédit jeté sur la fiabilité du

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higher than when applied by a public scheme. As Van Berlear has argued, "whereas the state will always find its revenue somewhere ... such a practice is irresponsible at level of a private enterprise" (Van Berlaer, 1982, p.168).

335 The Act of 9 July 1975 ("Wet betreffende de controle der verzekeringsondernemingen" in *Belgisch Staatsblad* 29 July 1975).



premier pillier et, de l'autre, sur la possibilité d'améliorer les prestations plafonnées de sécurité sociale, de s'attacher et de fidéliser la main d'œuvre la plus compétente." (336)

It has been argued that up to 1975, the enterprise-based pension funds operated largely unregulated and thereby had a competitive advantage over traditional individual life-insurances (337). The lack of regulation also resulted in a diversity of arrangements. In 1989, the Belgian Association organised a survey among 75 enterprise-based pension funds which documents this diversity (338). Since the 1975 reform, all pension plans allowed employees, when they terminated their employment contract before the official retirement age, to claim the contributions they had made themselves to the pension plan. However, only in 6 out of the 75 plans surveyed, employees enjoyed an unconstrained claim to the contributions made to the plan on their behalf by their employer. Most plans require a minimum period of employment, usually 5 years, but in some cases even as much as 20 years, in order for employees to obtain the recognition of a claim to the contributions paid by the employer. In 11 enterprises surveyed in 1989, employees had no claim at all before retirement, to the contributions made by their employer if they terminated their employment contract.

In 40 per cent of the plans surveyed in 1989, were entirely financed by the employer, in the other plans both employers and employees contributed to the fund. In 1990, employers contributions amounted to some 87 per cent of the total financing of pension funds (339). In some cases, the employers contributions were deposited in a group insurance contract (13 out of 75 plans surveyed in 1989). In 1988, the assets of the Belgian pension funds represented a total of 17.6 per cent of GNP.

In 1989, the reserves of the various forms of extra-statutory pension insurance in Belgium were estimated as follows

336 Veille, 1990, p.25.

337 H. DELANGE "De Bedrijfspensioenfondsen in België" in *Belgisch Tijdschrift voor Sociale Zekerheid* Vol.23, No.3, 1976, pp.335-337.

338 Philip NEYT *Enquete Pensioenplannen* Brussels: Belgische Vereniging voor Pensioenfondsen, 1989. Another study estimated the total number of enterprise-based pension funds at 150, with another 166 "autonomous" pension funds organised as non-profit corporations. See also Philip NEYT et.al. *Beloning van Kaderleden* Antwerpen: UFSIA, 1993.

339 In that year, employers contribution amounted some 11,409,000 million francs whereas employees only paid a total of 1,933 million francs in contributions (See Guy VAN BREMPT *De Werking van de Belgische Pensioenfondsen* unpublished MA-thesis (actuariële wetenschappen) Katholieke Universiteit Leuven: Departement Toegepaste Economische Wetenschappen, 1992.



*Table 4.11. The Reserves of the Various Supplementary Schemes in 1989 (expressed in million francs).*

Group Insurances:	434,048	42.1%
Enterprise Funds:	200,000	19.4%
Ind. Life Insurances:	340,046	33.0%
Pension Savings Plans:	56,992	5.5%
<b>TOTAL</b>	<b>1,031,086</b>	<b>100.0%</b>

Occupational pension plans are still clearly a privilege for salaried employees. In 1990 only 10 per cent of manual workers benefit from an enterprise-based pension plan, whereas as much as 60 per cent of salaried employees participated in such a plan. This is partly an intended consequence of the fact even after the 1957 and 1967 reforms, the scheme for salaried employees had continued to contain a maximum threshold of the wage taken into account for calculating contributions and benefits. As was argued, the commercial insurance companies had insisted on maintaining these thresholds in order to safeguard the lucrative market of supplementary pensions insurance. It is no surprise that in 1982, the conservative coalition Government of Christian Democrats and Liberals extended these thresholds to the pension arrangements for manual workers, and that since then, a gradual increase of the participation rate of manual workers in enterprise-based pension plans can be observed.

#### *5.1.4. The Problem of Transferability of Rights and of the Control of the Reserves of Extra Statutory Pension Reserves.*

Under current regulations, employees, when they change employer, have a claim to the contributions they themselves made and their employer made on their behalf to a group insurance. Only under certain specific conditions, such as being fired because of a major error, or not complying with the legal terms of giving notice (*voorzeg*), do employees lose their claim



to the contributions paid on their behalf by the employer (340). However, as far as enterprise-based pension funds are concerned, it has been argued that until recently "everything was possible" and abuses by employers were not excluded, and much depended upon the lenience of the employer in question (341).

The same holds for the control over the reserves used to finance the extra-statutory benefits. In the case of group insurances, these funds are controlled by the private insurance companies with whom the enterprises have concluded the collective life insurance contract. In the case of non-autonomous pension funds, there were not really reserves to be controlled as they were either inexistent, or were an artificial book-keeping construction. However, in the case of autonomous pension funds there was room for more variation. Again, it is impossible to generalise, as the Belgian legislator has refrained from imposing detailed legislation in this respect. Instead it was largely left to the employers to determine the rules of the game.

As was argued, since 1975, pension funds either have to take the format of non-profit corporations or of mutual benefit societies. In case they became organised as non-profit corporations, the funds are administered by a general council composed of representatives of the enterprise. The law does not require a participation of the employees in this council, and if they are represented at all, they generally only get a minority of the seats in the general council (342). The general council normally nominates a board, which

340 G. SINNESAELE & G. VERNAILLEN "Standpunt van de Controlediensten voor Verzekeringen" in S. FREDERICQ & J. ROGGE, eds. *Het onder Controle Brengen van de Privé Pensioenfondsen in België* Antwerpen: Kluwer, 1982, pp.181-195. If the employee left the enterprise after less than five years or if he did not comply with one of the two above mentioned conditions (i.e. if he was fired for major infractions or if he left without giving notice), the employers' contributions were deposited into a so-called solidarity fund (*solidariteitsfonds*), which was used for social purposes for employees of the enterprise (for example, to grant additional benefits to employees who had a too short employment career to have the right to claim a sufficiently large supplementary benefit). Recently legislation has been changed in such a way that these rules more lenient towards employees have come to apply to all enterprise based pension funds.

341 Sinnesael & Vernailen, 1982, p.189. The most notorious case is that of Belgian Shell, where employees did not, until recently, have any claim at all on enterprise-based pension fund. It is only after the period under study, in 1994, that a Social Democratic Minister of Pensions, Freddy Willox, took the initiative to improve the transferability of the rights of employees.

342 An illustrative example is that of the pension fund of the chemical fibres producer Fabelta. Since the 1930's Fabelta offered a group insurance to its salaried employees. When the enterprise was taken over by the Dutch trans-national corporation AKZO, the direction of the multinational decided to improve the benefits of its extra-statutory pension scheme by adding a supplement to the benefits of the group insurance as to make them conform to wage increases and to compensate for inflation. In order to finance this operation, the enterprise



has to have at least one representative of the employees. According to a collective labour agreement concluded in 1972, the board has to be constituted on the basis of equal representation, if the employees contribute to the fund (343). But even then, the actual management of the funds is generally delegated by the board to banks or commercial insurance companies, as the employees prefer the safety of a high return on their capitalised funds over a say in their allocation.

The regulations concerning the administration of mutual benefit societies are stricter and more to the advantage of the employees. Such societies have to be administered on the basis of equal representation. For example, the administration of l'Intégrale has 8 representatives of the employers and 8 representatives of the employees. Each group nominates a president, and these two presidents carry out their function in alternance. Day-to-day management of the funds is carried out by a management committee composed of 4 members of the administration council and the General Director of the society.

Thus in general, one can conclude that the insured or the employees have little influence in the administration of the large sums of money that are accumulated in the various extra-statutory schemes. Only in the 3 mutual benefit societies, and in the autonomous pension funds that adopted the format of a mutual benefit society, there exists something close to equal representation. In general, investment decisions are taken by boards in which representatives of the employer have an absolute majority. Moreover, these decisions are generally delegated to banks or commercial insurance companies, even by most mutual benefit societies. In addition employers try to circumvent the 1972 collective labour agreement on equal administration

established an autonomous pension fund. This fund was administered by a "members' council" (*raad van deelnemers*). This council consisted of three representatives of the direction, three members elected by the employees (independent from the trade unions), and of a chairman who was the president of the board of directors of the multinational. The members' council nominated an investment commission consisting of the chairman, a representative of the direction, a representative of the employees and two external advisers. This commission decided where the accumulated funds were to be invested. The commission could invest at most 5 per cent of the funds into enterprises of the AKZO group. The funds were also partly used to grant mortgage loans at preferential interest rates to employees of the enterprise. In general though, one can argue that the representatives of management had a majority at all decision making levels, and that the employees, even if they were represented, at no point were able to block a decision (this information is based on an interview with a former chairman of the fund).

343 *Collectieve Arbeidsovereenkomst Nr.7* as concluded on 9 March 1972 in the National Labour Council (*Nationale Arbeidsraad*), in particular article No.13.



by depositing their own contribution into a fund organised as a non-profit corporation, while making their employees contribute to a group insurance plan administered by a commercial insurance company. The trade unions have tried to obtain some influence in the administration of these insurance companies, but this attempt faced strong resistance from the side of both the employers and the insurance companies' lobby:

"L'instauration d'une forme de co-gestion ou de contrôle paritaire des compagnies d'assurance a rencontré lors de la négociation de la Convention Collective de Travail No.9 une vive opposition de la part des employeurs et du lobby des assurances." (344)

The trade unions have in vain tried to obtain more influence in the management of extra-statutory pension reserves. They have also been critical of the extensive fiscal advantages these schemes enjoy, but during the period under study, they did not resort to industrial action to support their claims (345).

## 5.2. The First Impact of the Federalisation of the Country on Social Policy.

From the 1960's onwards, the Belgian state has been gradually transformed from a unitary state into a federal state (346). Even a cursory review of the complexities of Belgian federalism goes well beyond the scope of this paper.

### 5.2.1. *Belgian Federalism in a Nutshell.*

Essentially the new state structure is based on three levels of authority (if one wants of three types of citizenship). The first level, the federal level, comprises what is left of the unitary state. This level includes such domains

344 Pascale VIELLE *Aspects Sociaux des Pensions Complémentaires de Travailleurs Salariés en Droit Belge* Rapport ordered by the Commission of the European Community DGV/C/1, Brussels: Commission of the European Community, June 1991a, p.12.

345 In this respect one can, in particular amidst the Christian trade unions, identify an increasing discrepancy between a very radical program aimed at establishing far-reaching economic democracy on the one hand, and the tacit support for Governments carrying out neo-liberal policies and reluctance to engage in industrial action on the other hand.

346 For a brief overview of the background of the transformation of the country from a unitary to a federal state see Witte and Craeybeckx, 1983, pp.387-450.



as the currency and financial affairs, defense, foreign affairs, justice, and at the time of writing social security. At the second level, the two language communities (*gemeenschappen*) are responsible for so-called individual issue (*persoonsgebonden materies*) for which language is more important than place of residence. This level includes such policy areas as education, culture, health care, social assistance, etc. There are two language communities: (1) the Dutch-speaking community which comprises the population living in the Northern Flemish part of the country, and the Dutch-speaking inhabitants of Brussels; (2) the French-speaking community, which comprises the population living in the Southern Walloon part of the country, and the French-speaking inhabitants of Brussels (347). At a third level, the regions (*gewesten*) are responsible for the so-called territory-bound (*grondgebonden*) issues for which place of residence is more important than language. This level includes responsibility for urban planning, housing, environmental protection, regional economic expansion, exploitation of natural resources etc. There are three regional entities: Flanders, Wallonia and Brussels.

What is important in the context of this paper, is that the process of establishing a new federal structure has had a different impact on the two policy areas under study. Up to now, social security has remained the responsibility of the central state, which means that in this area, the process of federalisation has hardly had a specific impact on the policies (348). On the other hand, since 1975, the responsibility for housing issues has been transferred to the regional level. In the long term this will probably lead to three divergent housing systems, as the three regions are characterised by different political power configurations, and as they each have their specific housing needs:

"Because of the regionalisation of housing policies, each region will be able to implement a policy which can take into account regional differences in terms housing issues: Brussels being a metropolitan area, Flanders with a relative new housing stock and Wallonia with a relative old patrimony." (349)

347 The small German minority has its own council which has more restricted responsibilities, and is for other individual issues subordinated to the French community.

348 Even if there are increasingly strong voices to split social security too, and one can see the gradual development of some sort of a consensus between separatist and neo-liberals, albeit for different reasons, to dismantle the postwar unitary welfare state.

349 G. T'JONCK, H. DE SMET, G. DE CLERCQ, & L. GOOSENS "Het Juridisch-Organisatorisch en Financieel Werkkader voor het Sociaal Woonbeleid in Vlaanderen" in *Sociaal Woonbeleid* Brussels: Koning Boudewijn Stichting, 1983, pp.34-74 (p.34).



However, the institutional legacy of almost a century of common policy is likely to leave a lasting imprint for the years to come.

Towards the end of the period under study, housing policies in the three regions already started to diverge significantly. For example, in 1987, the maximum income to benefit from a fiscal exemptions in Flanders was set at 1,250,000 francs per year, whereas in Wallonia, it was set at 534,000. In the region of Brussels there was no maximum income at all. The amount of the exemptions also differed significantly: in Flanders between 120,000 francs and 250,000 francs, on Wallonia 100,000 francs and in Brussels 10 per cent of the purchasing price with a maximum of 150,000 francs (350). These different policies can to some extent be considered to reflect the relative hegemony of different political parties in the three regions: the Christian Democrats in Flanders, the Social Democrats in Wallonia, and the Liberals in Brussels.

#### 5.2.2. *Housing Policies in a Federal State: the Case of the Flemish Region.*

During the last decade of the period covered by this study, housing issues in the Flemish region were primarily the responsibility the Department of Health and Family Policy, and later on of the Department of Family Policy and Housing. Initially, the National Housing Fund, while still continuing to be nationally organised, was split into a Flemish and a Walloon division. The National Housing Association (NHM) and the National Land Society (NMKL) underwent a similar fate and were split into a Flemish and a Walloon department. First, in 1975, the administrative structures of these national institutions were not split. But later, from 1982 onwards, their assets were, and the control was transferred from the national Government to the regional Governments, even if the authority issue for the Brussels region still remained open.

Already in October 1980, the Housing Fund of the League of Large Families also had been completely split into the *Vlaams Woningfonds voor Grote Gezinnen* and the *Fonds du Logement des Familles Nombreuses*.

In 1984, the National Housing Association (NHM) was altogether abolished (351). The same law established a new Brussels Regional Housing Association. Two months earlier, the Walloon Regional Housing Association had been established which amalgamated the Wallonian departments of the

350 L. LAURENT & M. JACQUES *Social Housing Policy in Belgium* Brussels: COFACE Commission Logements Documents, 1987, p.59.

351 Act of 28 December 1984 "Wet tot afschaffing of herstructurering van sommige instellingen van openbaar nut" in *Belgisch Staatsblad* 22 January 1985.



NHM and the NMKL. In Flanders the situation remained more complicated, as the Flemish department of the NMKL strongly resisted attempts by the regional government aimed at a merging of the associations. The Flemish regional Government announced a gradual combination of all housing activities into one institution, and of agricultural activities in another, but the governing board of the NMKL saw it differently and wanted to continue its overall activities in rural areas (352).

Even semi-governmental institutions such as the Housing Fund of the League of Large families in Belgium (WBKGB) was affected by the tendency of regionalising housing policies. That organisation too has been divided into three regional housing funds, for Flanders, Wallonia and Brussels. The old unitary organisation continued to exist, but only in order to administer files and loans dating from the days before the new federal structure of the country. In Flanders the new organisation, the Flemish Housing Fund (*Vlaams Woningfonds* or VWF) has shifted its accent from merely providing credit, to a more active policy of urban renewal.

"The accent on credit accommodation has been shifted to renewal and improvement projects and at the same time other sorts of activities have been started. The VWF not only runs its own urban renewal schemes, it also provides housing allowances etc. It might be said that the VWF is the most complete housing association of this time. All its activities, including urban renewal schemes, are aimed at providing decent housing to large families as well as to the underprivileged." (353)

The process of establishing a new federal state structure was accompanied by a series of authority conflicts, and housing policies were not saved from such clashes. Like in other policy areas, these conflicts have been nurtured by financial problems. The financial problems in the housing sector were aggravated by the system of pre-financing which, from 1975 onwards, became the dominant mode of financing new projects (354). Under this system,

"the capital investment of the state is advanced by a financial institution, usually the Municipal Credit bank (*Gemeentekrediet*).

352 See Luc GOOSENS "Belgium" in Hans KROES, Frits YMKERS and André MULDER eds. *Between Owner-Occupation and Rented Sector. Housing in ten European Countries* De Bilt: The Netherlands Christian Institute for Social Housing, 1988, pp.215-241.

353 Goosens, 1988, p.223-224.

354 For a discussion of the technical implications of this method of financing see Daniël KETELS "Het Huisvestingsbeleid in Budgettair Perspectief" in *Documentatieblad van het Ministerie van Financiën* No.1-2, 1982, pp.17-51.



The state pays back this sum over a couple of years ... and also pays interests." (355)

This system allowed to start or continue investment in housing during periods of budgetary constraints, but in the long run it created a heavy burden of accumulating debts. The new regional housing administration thus inherited a debt burden which they increasingly were unable to pay off. In particular Wallonia ceased to pay its contribution necessary to pay off the outstanding debt of the NMH. The NMH therefore had to attract new loans, and the interest for these loans would be divided between the three regions. One region thus had to pay additional money because of the "irresponsible" behaviour of the other region -- a familiar problem in a country on the road towards a federal state...



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